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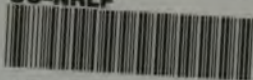
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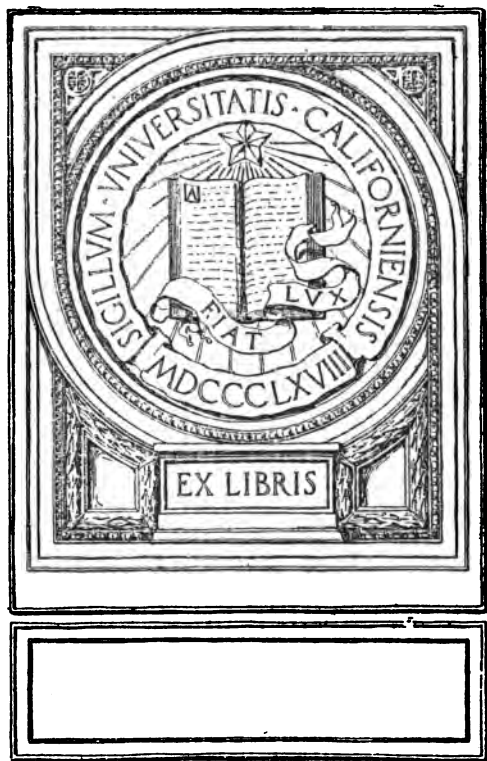
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# HOME BOOKKEEPING FOR THE THRIFTY

HARPMAN



QB 18446











# HOME BOOKKEEPING FOR THE THRIFTY

BY

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## PREFACE

It is one thing to earn money; it is another thing to spend it so that it will bring the largest returns and contribute most to the benefit of those for whom it is expended.

Money will not likely be spent to the best advantage unless a record is kept of *how it is spent* and *for what purpose*. If waste is to be eliminated, it must be through careful buying. If money is to be saved, it must be through the cultivation of the saving habit. If these things are to be done without regret and disappointment, it must be through the cultivation of thrift.

None of these things can be accomplished without proper records being kept which will show how an income has been spent and provide the basis of an analysis and comparison with expenditures for previous corresponding periods.

These are some of the purposes of this book. It is intended to help people make their incomes go further and to increase their happiness and contentment as individuals and members of families.

And this is how we go about it. First, we provide a series of drills in personal expenditures showing simple forms of record. Then we provide a simple system of bookkeeping for families. In both instances we have gone about it in a business way.

We know that any practical system of bookkeeping for the individual or family must be brief and that it must require the minimum amount of time and effort, otherwise neither individuals nor families will take the trouble to keep a set of books.

Higher standards of living have increased more rapidly than incomes, and every one knows that most people have

a tendency to live beyond their means. Many of them have no care for the future. They overlook the fact that to be a good and useful citizen one must be self-supporting.

These things cannot be brought about unless the habit of thrift is acquired. That is the fundamental reason why this book was prepared. The bookkeeping part of it simply helps to establish and fix the thrift habit.

The women of America do the buying of ninety per cent of the food, clothing, and home furnishings used by themselves and families. Men do most of the earning, women do most of the spending of those earnings in the partnership of the home. One of the important problems for the women of to-day is how to live within a certain income and still secure happiness and contentment for themselves and their families. A careful study of this book will help solve that problem.

Here are some of the things which will be found in the book.

1. How to keep an account of personal expenditures.
2. How to prepare a budget that will make provision for keeping expenses within the income.
3. How to keep a record of the income and expenditures of a family.
4. How to conduct the buying for a family without wastefulness.
5. How to save a little money even on a small income.
6. How to acquire habits of thrift without being stingy.
7. How to increase one's self-respect and to merit the respect and esteem of his neighbors and friends by warding off the condition of being continually "hard up."
8. How to provide a home of your own without stinting yourself or the members of your family.
9. How to accomplish the largest success in life with the means at your disposal.

The book will not do this simply by purchasing it and studying it. What it teaches must be practiced.

Thrift is the basis of saving; saving is the way to provide best for the family and to lay away money for the "rainy day." Money saved is an ever present joy to the self-respecting man, woman, or child. All men and women are entitled to have contentment if they strive for it, and most of them will find happiness and contentment if they want it. If they are told some of the ways that will contribute to these results, it will help them.

And that is why this book was written.

C. A. H.



## PUBLISHER'S NOTE

The original manuscript of this text was prepared by C. A. Harpman of the South High School, Youngstown, Ohio. We accepted it because we liked it, but when our editors got to work on it they thought they could improve it somewhat, and they did—materially. These editors, Harry M. Rowe, Jr. and Lloyd Bertschi, like Mr. Harpman, became enthusiastic over the thrift idea—probably because they both realized a personal need of it. These men have introduced it in homeopathic doses, which if taken right, should produce allopathic results. They are responsible for the lessons in thrift and the comparative statements of budget allotments and expenditures, which we consider of exceptional value to pupils.

We have published this book because we believe it is a very useful one and will prove of very great benefit and assistance to those who are trying to lead the normal life with a large degree of comfort, happiness, and contentment to themselves and those dependent upon them. To those who study it a new view of life may come. Let us hope it will prove to be not only a school room text of great interest and value, but also it is our earnest prayer that it may contribute some happiness and joy and inspiration to those who are trying to live worthily and for the highest rewards.

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## CONTENTS

	PAGE
<b>PERSONAL RECORDS</b> .....	1
Card Method.....	2
Exercise 1.....	3
Cash Receipts and Payments of a Boy in School.....	3
Analysis of Receipts and Payments—Lesson in Thrift.....	7
Exercise 2.....	8
Analysis of Receipts and Payments—Lesson in Thrift.....	8
Exercise 3.....	10
Analysis of Receipts and Payments—Lesson in Thrift.....	10
Exercise 4.....	13
Analysis of Receipts and Payments—Lesson in Thrift.....	13
Recapitulation of Receipts and Payments for the Month....	15
Analysis of Receipts and Payments—Lesson in Thrift.....	16
Thrift.....	17
Loose Leaf System.....	18
Exercise 5.....	18
Expenses of a Girl at Boarding School.....	18
Analysis of Receipts and Payments—Lesson in Thrift.....	21
Exercise 6.....	22
Analysis of Receipts and Payments—Lesson in Thrift.....	23
Exercise 7.....	24
Analysis of Receipts and Payments—Lesson in Thrift.....	26
<b>HOME BOOKKEEPING</b> .....	27
The Family Budget.....	27
Preparation of the Budget.....	28
Model Budget of Income and Expense.....	31
The Cash Book.....	32
Distribution of Budget Allotments in the Cash Book.....	33
Exercise 8.....	34
Comparative Statement of Budget Allotments and Expen- ditures—January.....	38
Analysis of Receipts and Payments—Lesson in Thrift.....	40
Exercise 9.....	42



**HOME BOOKKEEPING—Concluded**

PAGE

Comparative Statement of Budget Allotments and Expenditures—February.....	49
Analysis of Receipts and Payments—Lesson in Thrift.....	51
The Bank Account.....	54
Opening the Bank Account.....	55
Signature Card.....	56
Deposit Ticket.....	57
Check and Stub.....	58
Endorsements.....	59
Bank Book.....	61
Exercise 10.....	62
Comparative Statement of Budget Allotments and Expenditures—March.....	66
Analysis of Receipts and Payments—Lesson in Thrift.....	67
Exercise 11.....	70
Preparation of New Budget.....	70
Comparative Statement of Budget Allotments and Expenditures January 1 to June 30.....	74
Analysis of Receipts and Payments—Lesson in Thrift.....	76
Exercise 12.....	79
Preparation of New Budget.....	82
Comparative Statement of Budget Allotments and Expenditures—January 1 to September 30.....	83
Closing the Cash Book.....	86
Opening New Cash Book.....	86
Comparative Statement of Budget Allotments and Expenditures January 1 to December 31.....	90
Analysis of Receipts and Payments—Lesson in Thrift.....	91
Exercise 13.....	93
Statement of Net Worth.....	93
Preparation of New Budget.....	96
Opening the Cash Book.....	97

## PERSONAL RECORDS

Acquiring the ability to save systematically is one of the first steps in planning a successful life. In order to save, one must know what money he receives and what money he pays out. To have this information, it is necessary to keep a record of receipts and expenditures. Most persons have never attempted to keep such a record principally because they have not appreciated the value of such information in connection with saving, and because they have not known how to keep a simple record of receipts and expenditures that will require but a few moments daily.

A record of personal expenditures can be easily kept, and when young people realize that before they can spend intelligently or save systematically they must keep a record of all sums received and paid, they will be willing to spend the time and make the effort necessary in providing themselves with this important information.

There are numerous methods of keeping accounts of personal expenditures, any of which can be made as elaborate or as simple as desired, which will furnish the information necessary for intelligent regulation of expenditures. Whichever method is used should be as simple as possible, should require but little time to provide an exact and true record of money received and spent, and should permit of a ready analysis of such expenditures.

## CARD METHOD

One of the simplest methods and one which is readily adaptable to the requirements of any person is the card system. It is elastic and can easily be rearranged without rewriting any part of the record. Cards containing records no longer of use can be filed away for reference, while those in constant use are easily accessible because they can be filed in an orderly arrangement according to dates.

The following illustration shows a card ruled in such manner as to provide a convenient method of keeping a record of the receipts and expenditures of a boy or girl at school who is given a regular allowance from which all expenses are to be met.

ILLUSTRATION I

WEEK ENDING 19			RECEIPTS	PAYMENTS	CLASSIFIED PAYMENTS						
DAY	DATE	EXPLANATION			Clothing	Education	Amusements and Luxuries	Health and Toilet	Donations and Church	Sundries	
		BALANCE									
SUN.											
MON.											
TUES.											
WED.											
THU.											
FRI.											
SAT.											
		TOTALS									
		BALANCE									
		PROOF									

The card used measures 4" x 6", a standard size which can be obtained at all stationers and book-stores. For filing these cards use a tray or drawer supplied with guide cards for the months of the year. In the work of this text an

envelope is used as a file. One card is used for each week in a month and another card should be provided for the extra days at the end of the month. If Sunday is not the first day of the month, make the first entry for the week in the space provided for the day of the week which is the first day of the month; for instance, if Wednesday is the first day of February, the first entry on the card for the week ending February 4 will be made on the line for Wednesday. Similarly, if Tuesday is the last day of the month, the card for the week should be totalled as soon as the entries for Tuesday are made; then a new card should be started for the first day of the next month, the old one being filed away in the tray or file.

The card for the current week may be carried in the pocket or purse and the entries made thereon as money is received or spent. The card should be filed when the week is up.

### Exercise 1

#### CASH RECEIPTS AND PAYMENTS OF A BOY IN SCHOOL

On a 4" x 6" card or sheet of paper ruled as shown in Illustration I record the following transactions, which represent the receipts and expenditures of a boy at school. You are to make the entries on the ruled form by carefully following the instructions given below.

#### *Transaction for Monday, Sept. 4*

Your father has decided to allow you \$2.00 per week, from which you are to pay your personal expenses. He has this morning given you \$2.00 in cash. Make the entry for this transaction on your card or ruled form, proceeding as follows:

1. Write the date on which the week will end, "Sept. 9, 19—," inserting the current year date.

2. On the line for Monday and in the column headed Date write "4" and in the wide space for Explanation write "Allowance," entering the amount "2.00" in the column headed receipts. This completes your entry, which should appear like the following illustration.

ILLUSTRATION II

WEEK ENDING <i>Sept. 9,</i> 19			RECEIPTS	PAYMENTS	CLASSIFIED PAYMENTS					
DAY	DATE	EXPLANATION			Clothing	Education	Amusements and Luxuries	Utilities and Taxes	Donations and Church	Services
		BALANCE								
SUN.										
MON.	<i>4</i>	<i>Allowance</i>	<i>2.00</i>							

### Transactions for Tuesday, Sept. 5

Spent 10¢ for a tablet, 5¢ for pens, 5¢ for a ruler, 5¢ for a penholder and 10¢ for pencils; total 35¢. Enter these payments as shown in the following illustration. Notice that these items are all school supplies and should be entered in the column headed Education. Proceed as follows:

1. Enter the date in the date column.
2. In the explanation column write "School supplies."
3. Add the amounts expended and enter the total in the column headed Education.
4. Enter the total for the day in the Payments column.

ILLUSTRATION III

TUES.	<i>5</i>	<i>School supplies</i>	<i>35</i>	<i>35</i>						
-------	----------	------------------------	-----------	-----------	--	--	--	--	--	--

*Transactions for Wednesday, Sept. 6*

Bought a tooth-brush for 20¢ and a tube of tooth-paste for 10¢; total 30¢. These are toilet articles. Make the entries as shown in the following illustration.

ILLUSTRATION IV

WED.	6	Tooth brush & paste		30				30				
------	---	---------------------	--	----	--	--	--	----	--	--	--	--

*Transactions for Thursday, Sept. 7*

Bought a necktie for 50¢, went to a moving-picture show, which cost 5¢, and spent 10¢ for a box of shoe polish; total 65¢. The 50¢ spent for the necktie should be entered in the column for Clothing; the 5¢ for the moving picture belongs in the Amusements and Luxuries column, and the 10¢ for shoe polish should be classed as a toilet article, since polished shoes are necessary to one's good personal appearance. Make the required entries as shown in the following illustration:

ILLUSTRATION V

THU.	7	Necktie, show, shoe polish		65		50		05	10			
------	---	----------------------------	--	----	--	----	--	----	----	--	--	--

*Transactions for Friday, Sept. 8*

Spent 10¢ for shoe-strings, 5¢ for a lead pencil and 1¢ for newspaper. Make the entries as shown in the illustration below.

ILLUSTRATION VI

FRI.	8	Shoe strings, pencil, newspaper		16		10	05					01
------	---	---------------------------------	--	----	--	----	----	--	--	--	--	----

*Transactions for Saturday, Sept. 9*

Earned 25¢ by running errands. Spent 10¢ for ice cream. Notice that the 25¢ you earned is entered in the Receipts column along with your allowance. Make the entries as shown in the following illustration:

## ILLUSTRATION VII

SAT.	9	Running errands, ice cream	25	10				10				
------	---	----------------------------	----	----	--	--	--	----	--	--	--	--

This completes the transactions for the week. It is now necessary to find the total cash received, the total cash paid out, and the amount spent for each of the various classes of expenses indicated by the headings of the columns in the classified payments section of your card. Find the total of each column, writing the total in the proper space on the first vacant line below the entries for Saturday. Can you suggest a method of proving the correctness of the additions in the payments column and in the classified payment columns? Then find the difference between the total of the receipts and payments columns and enter the amount opposite the word "Balance" and under the total of the payments column. Then add the balance to the total payments to show that their sum is equal to the total receipts. This proves the correctness of your record of receipts and payments. Your card should now appear like the following illustration:

## ILLUSTRATION VIII

WEEK ENDING <i>Sept. 9,</i> 19			RECEIPTS	PAYMENTS	CLASSIFIED PAYMENTS						
DAY	DATE	EXPLANATION			Cashings	Education	Amusement and Liquor	Health and Toilet	Donations and Church	Service	
		BALANCE									
SUN.											
MON.											
	4	Insurance	2.00								
TUES.											
	5	School supplies		35		35					
WED.											
	6	Tooth brush & paste		30				30			
THU.											
	7	Necktie, shoes, shoe polish		65	50		05	10			
FRI.											
	8	Shoe strings, pencil, newspaper		16	10	05				01	
SAT.											
	9	Running errands, ice cream	25	10			10				
		TOTALS	2.25	1.56	60	40	15	40		01	
		BALANCE		69							
		PROOF	2.25	2.25							

## ANALYSIS OF RECEIPTS AND PAYMENTS

How much cash was received during the week? From what sources was it received? How much was spent? If you received \$2.25 and spent \$1.56, how much should you have left? In what other way could you determine how much money you had left on Saturday night? Should the balance of cash on hand as shown by the difference between the totals of the receipts and payments columns always agree with the amount of money you actually have left after paying all your expenses for the week?

How much was spent during the week for clothing? For education? For amusements and luxuries? For health and toilet? For donations and church? For sundries? If you had not kept a column for payments, how would you determine the amount of money you had spent during the week?

*Lesson in Thrift*

What does the balance of 69¢ on Sept. 9 represent? If you had not earned 25¢ on Sept. 9, how much would you have saved during the week? With the additional income of 25¢, if you had not gone to the picture show or indulged in ice cream, how much would you have saved? If in addition you had managed with two pencils for the week instead of three, how much would you have saved? As a reminder of the value of economy and so as to quickly compare your savings of this week with the savings of future weeks, on the next line below "Week ending Sept. 9, 19—" write "Amount saved \$.69." Then file the card in the envelope marked "File."

"Teach economy. It begins with saving money." Lincoln.



### Exercise 2

Prepare a form for the week ending Sept. 16, similar to the one used in Exercise 1. Refer to the card for last week for the balance of cash on hand Sept. 9 and enter it on the new card in the receipts column opposite the word "Balance," entering the date "Sept. 10" in the proper space. Enter the following transactions:

- |                  |   |
|------------------|---|
| Sunday, Sept. 10 | Gave 10¢ to the Sunday School class fund and paid carfare 10¢. How should the Sunday School contribution be classified? Enter the carfare in the Sundries column. |
| Monday, 11       | Received allowance \$2.00; paid 30¢ for comb and brush.   |
| Tuesday, 12      | Paid 25¢ for a spelling text-book.  |
| Wednesday, 13    | Bought an eraser 5¢, peanuts 5¢, and newspaper 1¢.  |
| Thursday, 14     | Worked for a neighbor, receiving 30¢ for services.  |
| Friday, 15       | Bought three handkerchiefs 25¢; went to a moving picture show 10¢; bought a note book for school work 10¢; and a newspaper 1¢.                                    |
| Saturday, 16     | Went to a baseball game 25¢; carfare 10¢.   |

Find the total receipts and payments and the totals of the classified payment columns for the week. In adding the column for receipts, be sure to include the balance of cash on hand at the beginning of the week. Enter the totals on your card as previously instructed. Prove your classified payments with the footing of the payments column. Find the balance of cash for this week, enter it on the card and prove the balance.

### ANALYSIS OF RECEIPTS AND PAYMENTS

What were the total receipts for the week, including the cash balance from last week? What were the receipts excluding this balance? What does this amount represent? Was your income for this week greater or less than your

income for last week? How much did you spend this week? For what did you spend it? What is your present cash balance? Were your payments for this week greater or less than the payments for last week?

### *Lesson in Thrift*

Did you spend more or less of your income this week than you did last week? How much of your income did you save last week and how much did you save this week? What is the sum of these savings equal to? How much did you spend this week for amusements and luxuries? How much last week? How much for the two weeks? What per cent of your total income for the two weeks does this latter amount represent?

If you had gone to a 5-cent picture show instead of a 10-cent one and had walked to the ball game instead of riding, what would your amusements have cost for the week? Also if you had not purchased peanuts on Wednesday, what would the amusements and luxuries have cost and how much more would you have saved? Were the peanuts worth five cents? If you had limited your amusements for the week to a 5¢ picture show and the 35¢ spent going to the ball game, what would have been your cash balance on Sept. 16?

If you had saved in the ways suggested, what per cent of your income for the two weeks would your expenses for amusements and luxuries have been? In the two weeks how much have you spent for actual necessities and how much for things that you could have done without? How much have you actually saved of this week's income? How much greater or less is this amount than your savings of the first week? Enter the amount of this week's savings in the proper space on your card and then file it.

"Save, young man, and become respectable and respected." Franklin.

**Exercise 3**

Prepare a form for the week ending Sept. 23. Be sure to enter the cash balance. Enter the following transactions:

- |                  |   |
|------------------|---|
| Sunday, Sept. 17 | Carfare 10¢; Sunday School contribution 10¢; candy 5¢.  |
| Monday, 18       | Received allowance \$2.00. Mailed letter to Curtis Publishing Co., Philadelphia, Pa., containing 60¢ in stamps to pay for 20 copies of the Saturday Evening Post @ 3¢ each. Enter this payment in the last column on your card which you will head "Purchases of S. E. P." which means "Purchases of Saturday Evening Post." Purchased postage stamp for the letter 2¢. |
| Tuesday, 19      | Bought a history text-book 65¢; nail file 15¢; and had hair cut 25¢.  |
| Wednesday, 20    | Bought school note book 10¢; popcorn 5¢; and a copy of Youth's Companion 5¢. Received 10¢ for running errand.   |
| Thursday, 21     | Received the 20 copies of the Saturday Evening Post and sold 7 copies at 5¢ each. Went to a picture show 5¢; treated friends to soda water 20¢.   |
| Friday, 22       | Received 25¢ from Father for making highest mark in arithmetic; bought medicine 30¢; and a newspaper 1¢. Sold 8 copies of the Saturday Evening Post.  |
| Saturday, 23     | Bought two collars 25¢; sold 5 copies of the Saturday Evening Post; joined school athletic association paying 25¢ dues; and gave 5¢ to a blind man.   |

**ANALYSIS OF RECEIPTS AND PAYMENTS.**

What were your cash receipts for this week including the balance from last week? What were the receipts excluding the balance? What does this amount represent? How do the receipts of this week compare with the receipts of last week? Were your net receipts (total receipts less balance

from last week) greater or less than the net receipts of previous weeks?

How much did you spend this week? For what did you spend it? In what way does the payment of 60¢ on Sept. 18 for copies of the Saturday Evening Post differ from the other payments for this week? Was it really an expense or was it an investment which produced a return? What income did you have as against this outlay? How much did the receipts from the sale of the Post exceed their cost? What do you call the difference? Excluding the receipts and payments on account of the Post, what were your receipts and payments for this week?

What is your present cash balance? How do you prove your classified payments? How do you prove the cash balance? Exclusive of the transactions involving the Post, were your payments this week greater or less than your payments for previous weeks, and how much?

### *Lesson in Thrift*

Was your income for this week greater or less than your income for previous weeks, and how much? After deducting the profit on the sale of the Post, was your income greater or less this week as compared with previous weeks? Did you spend more or less of your income this week than you did in previous weeks, and how much? Does your greater income justify larger expenditures? How much of your income did you save this week?

Which expenditures under classified payments have been increased for this week as compared with corresponding expenditures for previous weeks? Which expenditures have been decreased? Write in one column on a piece of paper the amounts you spent this week for necessities and worthy purposes and in another column the expenditures that were really unnecessary.

What was your income for this week and how much of it did you spend? If your income had been limited to your allowance, would your expenditures have been greater or less than your allowance. If it had been limited to the allowance, how much could you have spent? If you had not earned any money from the sale of the Post, how would your expenses have compared with your income?

How much did you spend for amusements and luxuries this week? How does the amount spent for this item compare with the amount spent for the same item in previous weeks? Which of your expenses for amusements and luxuries were for useful things and which were for things that were not useful? Are you justified in spending all but 12¢ of your income this week? Which did more good,—the 5¢ you gave to the blind man or the 20¢ you spent treating friends to soda water? How is the door opened for useless expenditure by treating? Which is more profitable,—employing your time in such things as selling the Saturday Evening Post and reading good magazines and papers, or spending your time at picture shows, ball games, etc.?

Did the candy, popcorn, and soda water you had last week benefit your health to any appreciable extent? Do you think you could train yourself to find recreation in doing things that are beneficial and entertaining instead of spending money for amusements for the mere sake of being amused? Which was the wiser expenditure,—the 5¢ spent for popcorn or the 5¢ spent for the Youth's Companion?

Enter the amount saved this week in the proper space on your card. What is the sum of the amount saved during the three weeks equal to? File the card.

"It is the men and women who pay attention to small savings that become wealthy." Garfield.

**Exercise 4**

Prepare a form for the week ending Saturday, Sept. 30 and enter the following transactions:

Sunday, Sept. 24	Paid carfare 10¢; Sunday School contributions 10¢; purchased camera films 15¢.
Monday, 25	Received allowance \$2.00. Remitted 75¢ to the Curtis Publishing Company for 25 copies of the Post; paid 2¢ for postage; and bought a pocket knife for 40¢.
Tuesday, 26	Purchased candy 3¢; 2 pencils 10¢; and had shoes polished 5¢.
Wednesday, 27	Bought a pair of suspenders 25¢; earned 20¢ by raking leaves for neighbor; and went to a picture show 10¢.
Thursday, 28	Spent 6¢ for a tablet; 10¢ for taffy; and 5¢ for Youth's Companion. Received the copies of the Saturday Evening Post ordered on the 25th and sold 11 copies.
Friday, 29	Went to a ball game 25¢; sold 4 copies of the Post; and purchased newspaper 1¢.
Saturday, 30	Sold 10 copies of the Post and went to a matinee as brother's guest and paid carfare 20¢.

Enter the totals on the card, find the cash balance and prove it and the classified payments.

**ANALYSIS OF RECEIPTS AND PAYMENTS**

Analyze your receipts and payments of this week and compare them with those of previous weeks as formerly.

*Lesson in Thrift*

How does your income for this week compare with your income for previous weeks? How does your profit on the sales of the Post compare with the profit on the sales for last week? After deducting the profit for this week, was your

income greater or less as compared with the income for previous weeks? How do your expenses for this week compare with your income? Have you been able to economize in any way this week? If so on what items did you economize? Could you have economized any more than you did?

What was your income for this week and how much of it did you spend? If your income had been limited to your allowance, would your expenditures have been greater or less than your allowance? If you had not earned any money from the sale of the Post, how would your expenses have compared with your income?

How much did you spend for amusements and luxuries this week? How does this amount compare with corresponding amounts for previous weeks? Which items included in this amount were for useful things and which were for things that were not useful? If you had polished your shoes instead of paying someone else to polish them for you, what would have been the total of the Sundries column and what would your cash balance have been? Was the time spent raking leaves on Wednesday more profitably employed than the time spent at the picture show? If the 20¢ earned by raking leaves had not been spent at the picture show and for taffy, what would your expenses for the week have been and what would your cash balance now be?

Presuming the ticket had cost 50¢, if you had paid for your ticket to the matinee on Saturday and your share of the carfare, what would have been your expense for amusements and luxuries? Would your expenses have exceeded your income? If you had paid your share, what would your cash balance have been? Should the average boy be satisfied with a picture show, a ball game, and a matinee in one week or could he get along with less amusement in that time? How much candy is necessary in a week to satisfy your

appetite for sweets? How much is really necessary in addition to three substantial meals a day? What is the harm in piecing between meals? When is the best time to eat candy?

How much did you save this week? Enter this amount in the proper space on your card and then file it.

"If you would be sure that you are beginning right, begin to save." Roosevelt.

## RECAPITULATION OF RECEIPTS AND PAYMENTS FOR THE MONTH

During the month of September weekly comparisons have been made between the amounts received and paid. It is also desirable to make comparisons on a monthly and yearly basis. In order to make a comparison on a monthly basis it is necessary to combine the records on the cards for all of the weeks in a month on another card. This combined record is called a "recapitulation." Proceed to make the recapitulation for September as follows:

1. In the space above "Week-Ending" on a new card write the words "Recapitulation for," cross out the expression "Week Ending," and write "Sept." following it, and the year date. Then cross out the days of the week in the first column below and in the next column opposite "Sunday, Monday, Tuesday, and Wednesday," write the date of the last day of each week as shown by the card for that week, and in the explanation column write "First Week," "Second Week," "Third Week," and "Fourth Week."

2. From the card for each week enter the totals in the proper columns with the exception that in the receipts column you will enter only the net receipts for each week. The net receipts is the total receipts less the balance at the beginning of the week.



3. Foot the columns, find the totals for the month, and enter them opposite the word "Totals" at the bottom of the card. Enter the balance and prove it and your classified payments.

4. To prove the correctness of your recapitulation, see if the sum of the classified payment columns is equal to the total of the payments column. Then see if the balance agrees with the balance shown on the card for Sept. 30 and whether this balance is equal to the sum of the amounts saved each week.

### ANALYSIS OF RECEIPTS AND PAYMENTS

What were your total receipts for the month? What was your allowance? How much did you pay for the Post during the month? How much did you receive from its sale? What was your profit? How much did you earn from other sources? Including your earnings what was your income for the month? Is this income equal to the amount of your receipts? How do you account for the difference?

What were your total payments for the month? Of this amount how much did you pay for expense items? How much did you spend that could not be classified as expense? How does the amount spent for expenses compare with your income for the month? How much did you spend during the month for clothing, education, amusements and luxuries, health and toilet, donations and church, and sundries?

### *Lesson in Thrift*

During the month have you kept your expenses within the limit of your weekly allowance of \$2.00 which your father gave you with the understanding that out of it you were to pay all of your expenses? In any week did you spend more than your allowance for that week? If you had not exceeded

your allowance during the week of Sept. 23, what would your cash balance have been on Sept. 30? On what item during this week could you have economized in order to have kept within your allowance of \$2.00?

You spent more for amusements and luxuries than you did for education during the month. Which sum was most profitably spent? Which did the most good—the 35¢ spent for donations or the \$2.03 spent for amusements and luxuries? If you had spent your money with the idea of making every penny purchase a penny's worth, would you have spent more for amusements and luxuries than you did for clothing, or education, or health and toilet?

Can you suggest headings for any of the columns under classified payments that will be better for keeping a record of your expenses? Do you consider it worth while to keep a record of the money you receive and spend? What is the purpose of keeping such records? Do you think they will be helpful in regulating your expenditures in the future? Have they helped you to economize, to practice self-control, and to spend wisely? Will these things be of any value in building your character? Will they be of any value to you in future years as a business man, as a citizen, and as the head of a family?

"A boy that is taught to save money will rarely be a failure." Gladstone.

### THRIFT

Without me no man has ever achieved success, nor has any nation ever become great.

I have been the bed rock of every successful career, and the cornerstone of every fortune.

All the world knows me and most of the world heeds my warning.

The poor may have me as well as the rich.

He who possesses me has contentment in the present and surety for the future.

I am of greater value than pearls, rubies and diamonds.

Once you have me, no man can take me away.

I lift my possessor to higher planes of living, increase his earning power, and bring to realization the hopes of his life.

I make a man well dressed and well fed.

I insure absolutely against the rainy day. I drive want and doubt and care away.

I guarantee those who possess me prosperity and success.

I have exalted those of low degree, and those of high degree have found me a helpful friend.

To obtain me you need put out no capital, but personal effort, and on all you invest in me I guarantee dividends that last through life and after.

I am yours if you will take me.

I am thrift.

(American Bankers Association)

## LOOSE LEAF SYSTEM

Records of personal expenses may be kept on sheets of paper or in note books as conveniently as on cards. In the exercises following the loose leaf plan will be used.

### Exercise 5

#### EXPENSES OF A GIRL AT BOARDING SCHOOL

On a form ruled like the illustration on the next page, record the following transactions, which represent the incomes and expenses of a girl at boarding school. This form will accommodate the entries for one month.



- Oct. 1 Your balance of cash on this date is \$2.43.
- 1 Upon your departure for school today your father gave you \$110. He will also send you funds as needed and you are to pay all of your expenses. Paid 50¢ for drayage on baggage to station; \$6.42 for railroad ticket; 75¢ for parlor car seat; 95¢ for lunch on the dining car; 20¢ for tips to waiter and porter; and 25¢ for bus from station to dormitory.
  - 2 Paid 35¢ for having baggage transferred from station to dormitory; and \$80 for room and board for the first semester.
  - 3 Received bank draft from father for \$100 which the school treasurer cashed. Paid tuition at the registrar's office \$75.
  - 4 Bought text-books \$7.50; stationery 50¢; pens and pencils 20¢; and stamps 10¢.
  - 6 Bought a gymnasium outfit \$4.75.
  - 7 Sunday School contribution 10¢.
  - 8 Paid \$1.00 for membership in athletic association.
  - 10 Paid 65¢ for toilet articles; 50¢ for box of candy; and laundry \$1.50.
  - 11 Paid \$12.50 tuition fee for piano lessons; instruction books \$1.00; and music roll \$2.00.
  - 13 Went to the country for an outing, paying carfare 20¢ and luncheon 30¢.
  - 14 Sunday School and church contributions 15¢.
  - 15 Received \$25 from father.
  - 16 Purchased gloves \$1.50; tooth paste 25¢; and an eraser 5¢.
  - 17 Paid laundry bill \$1.25.
  - 18 Paid tuition fee for vocal lessons \$12.50.
  - 19 Bought candy 35¢; shoe polish 10¢; and handkerchiefs \$1.00.
  - 20 Paid \$1.00 for membership in literary society; \$1.25 for a text-book of vocal lessons; \$1.00 for theatre Saturday night; and 10¢ for carfare.
  - 21 Church and Sunday School contributions 20¢.
  - 24 Paid laundry bill \$1.30; and purchased chewing gum 5¢.
  - 25 Paid 79¢ for a jabot; and 10¢ for a notebook.
  - 27 Purchased pair of rubbers for \$1.00; had hair dressed 75¢; and nails manicured 50¢.
  - 28 Sunday School, church, and foreign mission fund contributions 75¢.
  - 29 Bought laboratory manual 25¢; and a basket of fruit 65¢.
  - 30 Purchased picture for room \$1.25; and paid laundry bill \$1.48.
  - 31 Bought a magazine 20¢; text-book \$1.50; and ink 10¢.

## ANALYSIS OF RECEIPTS AND PAYMENTS

What were your receipts for the month? What were your payments? How much did you spend for school expenses and how much for other expenses? How do you prove the correctness of your records? What is your present cash balance? If the sum of the totals of the classified payment columns is equal to the total of the payment column, does this prove that the various expenses have been properly classified?

What payments did you make for expenses this month that apply to future months as well as this month? What is the total of the school expenses applicable to this month only if the semester is four months long? Will your records for next month likely show greater or less school expenses, and why?

*Lesson in Thrift*

Even though you have spent over \$228 this month, do you think that you have been extravagant? How much expense did you necessarily incur because of attendance at school? Would it have been possible to reduce your school expenses in any way? Would it have been advisable to economize in such expenses? On your trip to school, would you have gotten the protection and service you did if you had not paid for them?

How much did you spend for essentials and how much for non-essentials? If you had gone to a 50¢ matinee instead of a \$1.00 evening performance on the 20th, would you have enjoyed the performance as much, and how much would you have saved? If in addition you had dressed your hair and manicured your nails yourself instead of paying some one else for doing so, what would your cash balance have been on the 31st? Was the chewing gum worth 5¢?

Did you ever observe anyone who was chewing gum? Which did you more good,—the 50¢ spent for the outing or the 50¢ spent for candy? If you had been compelled to economize in every possible way, how much could you have saved outside of your school expenses? Can you suggest any ways in which you could employ your funds more wisely?

Enter the amount saved in the proper space on your sheet and then file it.

“Thrift separates the temperate, well-behaved, respected, and useful from the unsatisfactory members of society.”  
Carnegie.

### Exercise 6

Prepare a form for November and enter the balance of cash from last month. Then record the following transactions:

- Nov. 1 Bought two shirtwaists \$3.70; copy of Vogue 25¢; two pads writing paper 10¢; bus fare from down-town 25¢.
- 2 Purchased tooth brush 25¢; paid class dues 50¢.
- 3 Purchased hairpins 15¢ and spent 80¢ accompanying the football team to a nearby town.
- 4 Sunday School contribution 10¢.
- 6 Went to a picture show 10¢; spent 25¢ for ice cream; bought 3 pairs of hose \$2.25.
- 7 Received remittance from father \$25. Paid \$1.05 for laundry; postage 4¢.
- 8 Purchased pens and pencils 20¢; season ticket to all athletic contests for the year \$2.00.
- 9 Bought hair nets 25¢; boudoir cap \$1.25.
- 10 Bought school pennant 60¢.
- 11 Sunday School and church contributions 25¢; bought a box of candy 75¢.
- 13 Paid \$2.00 for season ticket for lecture course on educational subjects. Received a gift of \$10 from mother.
- 14 Paid for cleaning and pressing suit \$1.50 and \$1.00 for toilet water.

- 15 Paid laundry bill \$1.25.
- 16 Bought a jar of cold cream 50¢ and paid milliner's bill for new hat \$3.75.
- 17 Went with a party of friends to witness a football game in a neighboring town and spent \$1.15.
- 18 Spent Sunday with a classmate at her home and spent 20¢ for carfare.
- 19 Paid 75¢ for repairing heels on pumps; paid laundry bill 90¢.
- 21 Paid \$1.75 for cleaning and repairing watch and bought a set of beauty pins \$2.25.
- 22 Paid \$1.00 for doctor's fee and had a prescription filled 40¢.
- 24 Bought needles, pins, and thread 35¢; paid laboratory fees in physics and chemistry courses \$2.00; bought basket of fruit 50¢.
- 25 Sunday School contribution 12¢; bought nail polish 15¢; ice cream soda 20¢.
- 26 Received check from father \$15.
- 27 Paid laundry bill \$1.17 and bought a box of soap 25¢.
- 28 Went home for Thanksgiving holidays and paid \$6.42 for carfare; 75¢ for parlor car ticket; 80¢ for lunch on the dining car; and 10¢ for tips.

### ANALYSIS OF RECEIPTS AND PAYMENTS

What were your cash receipts for this month including the balance from last month? What were the receipts excluding the balance? What does this amount represent? How did the receipts for this month compare with the receipts for last month?

How much did you spend this month? For what did you spend it? How much did you spend for school expenses and how much for other expenses? Excluding your school expenses, how do your payments this month compare with the payments for last month? If you had paid your board and tuition on a monthly basis instead of by the semester, how would your payments for this month have compared with your payments for last month? Without taking into account your school expenses, which of your other expenses



have increased and which have decreased? What is your cash balance and how does it compare with your balance at the end of October?

### *Lesson in Thrift*

Write in one column the amounts you spent for necessary and useful things and in another column the amounts it was not necessary for you to spend. If you had not incurred the expenses included in the second column, what would your expenses for the month have been? What would your cash balance on Nov. 30 have been and how much would you have saved this month? Which expenses do you think are legitimate ones and which do you think are not? If you had had only \$45 to spend this month, what things would you have done without?

How does your expense for amusements and luxuries for this month compare with your expenses for the same item last month? At this time would you rather have the pleasures that cost you \$7.20 or a cash balance of \$14.64? Could you have gotten more pleasure in the long run from spending the \$7.20 for clothing and jewelry than you did from spending it the way you did? What would you do with this \$7.20 if you had it now?

How much did you save this month? How can you tell whether or not you have saved any money this month? Write "Excess of Expenses over Income" and the amount above the explanation column. File the sheet.

"Economy makes happy homes and sound nations. Instill it deep." Washington.

### **Exercise 7**

Rule a form to accommodate the entries for the following transactions and select the column headings that you think

will be appropriate. The transactions represent the income and expenses of a boy at boarding school.

- Dec. 1 Balance of cash on hand \$3.48; paid room rent \$2.00.  
2 Paid \$1.00 for hire of a saddle horse for a ride in the country.  
3 Bought a newspaper 1¢.  
4 Received cash from Father \$35.00 and paid \$4.00 for board.  
6 Paid tuition for December \$15.00 and went to a moving picture show 15¢.  
8 Paid room rent \$2.00; bought six collars 75¢, and shaving cream 25¢.  
9 Sunday School contribution 9¢; took a street car ride 10¢.  
10 Paid board \$4.00 and mailed four postal cards 8¢.  
12 Paid laundry bill 56¢ and library fine for failure to return a book on time 12¢.  
13 Sent a box of candy to a girl friend 80¢.  
14 Received cash from Father \$20.00. Bought razor blades 50¢ and talcum powder 25¢.  
15 Paid room rent \$2.00.  
17 Paid Athletic Association dues 50¢; went down town for dinner 40¢; paid board \$4.00; bought a hot chocolate 10¢.  
18 Spent \$1.79 for Christmas presents.  
20 Bought a text-book 90¢; received 65¢ from the sale of second-hand books; had suit sponged and pressed 75¢.  
21 Bought Christmas presents amounting to \$3.15 and paid laundry bill 52¢.  
22 Bought pair of skates \$1.95, hockey outfit \$3.55, and paid room rent for two weeks \$4.00.  
23 Went home to spend the Christmas holidays and paid \$2.97 for a railroad ticket, and 10¢ for carfare.  
24 Bought a Christmas present 49¢.  
25 Received a ten dollar gold piece from Father and Mother for a Christmas present.  
26 Had shoes polished 10¢.  
27 Went to a party with a young lady and paid taxicab fare \$1.90.  
29 Went out hunting and bought ammunition 50¢; paid carfare 20¢; lunch at a farm house 35¢.  
31 Bought two neckties \$1.50; paid carfare 10¢.

*Lesson in Thrift*

Analyze your receipts and payments for the month and ascertain what your expenses and incomes have been. Assume that your son sent you this statement of his expenses for the month. Write him a letter telling him what you think his necessary and legitimate expenses were. Suggest ways in which he could have economized and point out which amounts were spent for useful amusement and recreation and which expenditures were purely wasteful.

You have doubtless observed by this time that it is a very simple matter to keep an accurate and systematic record of your receipts and expenditures. You should understand, however, that simply recording the money you receive and spend will be of no practical value unless you make an intelligent use of the information and facts shown by the records. The keeping of the records is only a means to an end. The real purposes are to cultivate the habit of economy, to eliminate waste, and to encourage saving so as to provide for the future. Keeping the records will not in itself accomplish these objects, but they may be accomplished if one will learn and apply the lessons taught by a study and analysis of the records.

"No boy ever became great as a man who did not in his youth learn to save money." Wanamaker.

**NOTE:** Under the teacher's direction the class should be required to analyze the transactions of this exercise and prepare a series of thrift questions and their answers similar to the questions in the preceding thrift lessons.

## HOME BOOKKEEPING

The benefit to be derived from keeping a record of the receipts and expenditures of a family is even greater than the benefit derived from keeping a record of the receipts and expenditures of an individual. The family as a whole will be encouraged to economize, eliminate waste, and save money, as well as its individual members. The bookkeeping of a family should include both a record of its incomes and expenses and a record of property purchased such as a home, furniture and equipment, investments of various kinds, and savings.

## THE FAMILY BUDGET

The first step in planning the records to be kept for a family is the preparation of a budget. A budget is an estimate of probable income and expenditure for a given period of time—a month, quarter, half year, or year. The purpose of the budget is to furnish information which will make it possible to regulate expenditures according to available income. Budgets are prepared not only for families, but many businesses, municipalities, states, and governments find them indispensable.

The people of this country are inclined to be extravagant and they are not as thrifty as other peoples because they spend quite recklessly in many instances and without knowing where the money is coming from to pay for what they buy. As a people we have not been following the policy of buying only what we can pay for when we receive it. This has led us into the habit of borrowing upon the future. The future is uncertain. The preparation of

a budget will show how much a family, a business, or a government has to spend, and its expenditures can then be regulated by its means.

A budget or estimate of the incomes and expenses of a family is based largely on past experience; that is, its incomes and expenses for previous corresponding periods. If a family has not kept a record of its expenses in the past, it is necessary to either defer the preparation of the budget until such records have been kept, or to prepare one as accurately as is possible from previous expenditures as nearly as they can be ascertained. A budget of this kind is better than none at all, since at least a temporary guide is thereby provided for spending for the coming period for which the budget is prepared.

In attempting to prepare a budget based on past experience, it will be found that such items as rent, insurance, light, telephone, laundry, household help, and life insurance are more or less known quantities, since the receipted bills for these items in the previous period can be referred to in order to ascertain their amount, and for the further reason that they are fairly constant. Such items as food, clothing, supplies and utensils, health and toilet, education, amusements, recreation and luxuries, property and investments, and sundry expenses are more difficult to estimate, since they are variable quantities.

#### PREPARATION OF THE BUDGET

The family of James S. Reese consists of five persons, Mr. and Mrs. Reese, Clara aged sixteen, Charles aged twelve, and Dorothy aged four.

Mr. Reese is employed as a bookkeeper for a local concern and receives a salary of \$110.00 per month, or \$1320.00 per year. In discussing ways and means of meeting the increased

cost of living, the members of the family have decided to prepare a budget for the next year and to keep a record of all receipts and expenditures. Each member of the family has determined to do everything possible to keep the expenditures within the amounts set aside for the various items of expense that will be incurred.

Although no records have been kept in the past, Mr. and Mrs. Reese, after talking the matter over with the children and making estimates of what was paid for various items of expense during the previous year, have decided to prepare a budget on the following basis:

1. As nearly as Mrs. Reese can determine, \$30 per month has been spent for food, which includes all table requirements such as meats, vegetables, groceries, fruits, milk, butter, eggs, ice, etc. and Mr. Reese's lunches. They decided to set aside \$30 per month or \$360 for the year for food.

2. After jotting down the cost of clothing purchased last year as well as they could from memory, it was found that about \$18 a month or \$216 for the year was spent for their wearing apparel. They therefore decided to allot \$216 for the purchase of clothing in this year's budget.

3. The family is living in a seven-room house which is rented for \$20 per month, making a total of \$240 a year for rent. The furniture and equipment in the home owned by Mr. Reese is insured for \$600, the premium being at the rate of 40¢ per \$100, or \$2.40 per year. Since the property is rented, no taxes are paid. The total for rent, taxes, and insurance was therefore determined to be \$242.40.

4. By referring to the bills it was found that last year \$55 was spent for coal with which to heat the house. The price of coal having advanced, it was decided to set aside \$60 for this year's coal supply. The electric light and gas bills for the twelve months in the previous year were totaled and found to amount to \$36.02. It was decided therefore to include

\$3.00 per month or \$36 per year in the budget for this item. The family does not have a telephone, therefore the total for fuel, light, and telephone for the year was found to be \$96.

5. Mrs. Reese thinks that her expenditures for supplies and utensils such as kitchenware, laundry supplies, brooms, brushes, soaps, floor polish, etc., will cost about \$20 and this amount was included in the budget.

6. Mr. Reese's laundry bills for collars, etc. have been averaging about 50¢ per month, so \$6.00 was set aside for this item. Mrs. Reese employs a girl on an average of one day each week to do the washing and help with the heavier housework at an expense of \$1.25 per day, therefore \$65 was included for this item, making a total of \$71 for laundry and hired help.

7. It was found that during the past year an average of one member of the family a month required the services of a physician or dentist, and that their fees together with prescriptions, medicines, and toilet articles averaged about \$2.50 per month, so \$30 was set aside for this item.

8. Clara is in high school and Charles is attending grammar school. The cost of their books, stationery, and other school supplies, and the incidental expenses connected with their school work amounted to about \$20 for the previous year, so the same amount was allotted for this year.

9. As closely as they could estimate, the members of the family think that they spent a total of about \$80 for amusement, recreation, and luxuries for the year. Mr. Reese thinks that they spent more but they decided to try to keep within the limit of \$80 for this year and allotted that amount in the budget.

10. Mr. Reese carries \$2000 worth of insurance on his life at an annual premium of \$50.40, which is payable on March

25. Mrs. Reese thinks that she will need about \$25 for the year for the purchase of additional articles of furniture and equipment, such as chairs, dishes, linens, etc., and this amount was included. Mr. Reese wants to lay aside \$5.00 per month of his salary to be deposited in a savings bank each month; therefore \$60 for the savings fund was also included, making a total of \$135.40 under the item of property and investments.

11. After totaling the sums of the items thus allotted, it was found that the amount was \$1270.80, leaving a balance of \$49.20 not yet allotted of the total income of \$1320. This amount was set aside to meet miscellaneous and sundry items of expense that could not be determined upon.

Clara, who is studying typewriting in the commercial course in high school, has typewritten the budget in tabulated form and it appears as follows:

*Budget of Income and Expense, January 1 to December 31, 19 .*

James S. Reese and Family.

<i>Items</i>	<i>Per Month</i>	<i>Per Year</i>
Food.....	\$30.00	\$360.00
Clothing.....	18.00	216.00
Rent, taxes, and insurance:		
Rent.....	\$20.00	
Insurance.....	.20	20.20
		242.40
Fuel, light, and telephone:		
Coal.....	5.00	
Electric light and gas.....	3.00	8.00
		96.00
Supplies and utensils.....	1.67	20.00
Laundry and hired help:		
Laundry for Mr. Reese.....	.50	
Hired girl 1 day per week.....	5.42	5.92
		71.00



<i>Items</i>	<i>Per Month</i>	<i>Per Year</i>
Health and toilet:		
Doctor and dentist's fees, medi- cines, and toilet articles.....	\$2.50	\$30.00
Education.....	1.67	20.00
Amusement, recreation, and luxuries.....	6.67	80.00
Sundry Expenses.....	4.10	49.20
Property and investments:		
Insurance on Mr. Reese's life....	4.20	50.40
Furniture and equipment.....	2.08	25.00
Savings fund.....	5.00	60.00
Totals.....	\$110.01	\$1320.00

It should be remembered that the above budget is an *estimate* of the probable expenses and disbursements of a particular family and that it cannot be expected to apply to all families having approximately the same income. Such factors as the nature of the employment of the head of the family, individual tastes, environment, and place of abode enter very largely into the expenses of different families. However, the budget presented above is capable of being readily adjusted to suit the needs of any family, especially when records of expenditures have been kept which furnish more accurate information as to the amounts spent for different purposes. It also shows a classification of expenditures that is applicable to any family.

### THE CASH BOOK

After the budget is prepared the next step is to provide a book in which to record the receipts and payments. This can be done in a number of ways, but keeping the records in a special column cash book is probably the simplest and best method. This book corresponds in principle to the cards on which personal records were kept in the beginning work

of this course. It contains, in addition to columns for cash and total payments, special columns to correspond to the principal divisions of the budget such as Food, Clothing, Rent, Taxes and Insurance, etc. The cash payments for each day are distributed as they are entered in the columns for the classifications indicated by the column headings.

The cash book used in the work of this text is arranged so as to show, in addition to the details of income and expenditure, the amounts set aside for various expenses and other purposes, as well as the amounts that are spent over or under the budget allotment for each month, and the net allowance which remains available for future payments.

### *Distribution of Budget Allotments in the Cash Book*

The next step in preparing to record the receipts and payments of the family is to distribute the amount allotted for each item of expenditure under the corresponding heading in the cash book on the line opposite the words "Budget Allotment" in the explanation column. Proceed as follows:

1. The budget shows that \$30 per month has been provided for food. In the cash book supplied with your outfit write this amount in the column for food in the space provided for the budget allotment.

2. In like manner distribute the other monthly allotments included in the budget in the remaining columns in the cash book. Note that in the section of the book devoted to Property and Investments, special columns are kept for Furniture and Equipment, Life Insurance, and Savings Funds; therefore the items under Property and Investments in the budget should be entered in the cash book in these columns.

The spaces under the budget distribution for "Unexpended Allowance from Last Period," "Excess of Expenditure over

Allowance Last Period," and "Net Allowance for this Period," will not be used until next month, at which time you will receive instructions regarding the items to be entered opposite them.

During the first month the two columns under "Bought on Account" will not be used and you will be instructed regarding these columns later. Other columns are provided under main headings of Current Expenses and Property and Investments so that they can be used for additional classifications that will be necessary later on.

### Exercise 8

#### *Transactions for January*

*To the Student:* Always read each transaction and study the instructions before making the entry.

- Jan. 1 Mr. Reese reports his cash balance on this date to be \$135.42. Enter it in the receipts column opposite the word "Balance." The family went to a photo-play at an expense of 40¢.
- 2 Mr. Reese's expenses for the day were as follows: Lunch 20¢; carfare 10¢; and newspapers 2¢. Charge his lunches to food account and the carfare and newspapers to sundries. Mrs. Reese purchased toilet articles 27¢.
- 3 Mr. Reese reports that he paid the rent for January \$20, and that his other expenses were lunch 25¢; carfare 10¢; and newspapers 2¢. Clara spent 9¢ for school supplies.
- 4 Mrs. Reese paid 75¢ for hired help and purchased meat 25¢; butter 42¢; and eggs 38¢. Mr. Reese's expenses were lunch 20¢; carfare 10¢; and newspapers 2¢.
- 5 Mrs. Reese paid the milk bill for the week 56¢; grocery and meat bill \$1.40; and Mr. Reese's expenses were lunch 20¢ and carfare 10¢.

#### *Proving Cash*

How can you tell whether or not your records are correct? What were the total receipts? What were the total pay-

ments? What should be the cash balance? Mr. Reese has \$106.36 and Mrs. Reese has \$3.23. Prove the cash.

- 6 The family attended church and contributed 13¢ to the collection. Bought ice cream for Sunday dinner 40¢.
- 7 Paid woman 50¢ for helping with the family washing. Bought material for a new tablecloth \$1.50; and medicine for Dorothy 35¢.

Mr. and Mrs. Reese are well pleased with their plan of keeping a record of their expenses. They have decided that they can reduce the bookkeeping work required, however, by buying their groceries and meats at a nearby store on a charge account instead of paying cash as each purchase is made. They will settle their bills at the end of each week. Mr. Reese will hereafter report at the end of each week the amounts he has spent for his lunches, carfare, and similar sundry items, but will report daily other amounts that he spends.

- 9 Mr. Reese paid the gas and electric light bill for December \$2.97; and gave Clara 15¢ and Charles 10¢ for spending money.

While the bill for gas and electric light was for December, such bills are not rendered until the month following and should be entered in that month. The bill for January will be entered in February, and so on. Charge amusement, recreation, and luxuries for the spending money given the children.

- 10 Mrs. Reese bought a pair of shoes for Charles \$3.00.
- 11 Paid Yale Laundry bill 24¢.
- 12 Paid grocery and meat bill \$4.10; and milk bill 56¢. Mr. Reese's lunches for the week were \$1.00 and sundry expenses 85¢. Paid newsboy 13¢ for newspapers for the week. Prove cash. Mr. Reese has \$85.36 and Mrs. Reese has \$3.25.
- 13 Sunday School contribution 8¢.
- 14 Paid the laundress \$1.10. Clara joined the high school literary society and was given 50¢ to pay the membership fee. Charge to education.
- 16 Mrs. Reese went down-town to shop and purchased soap, dipper, broom, pots, pans, and other kitchen supplies and utensils \$1.78; dry goods, collars and ties for Mr. Reese, stockings, needles, thread, buttons and other miscellaneous items of wearing apparel \$9.20; toilet articles \$1.09; marketing \$2.45; and carfare 10¢.

- 17 Mr. Reese ordered and paid for two tons of coal at \$5.75 per ton.
- 18 Bought butter and eggs from a farmer 75¢.
- 19 Paid grocery and meat bill for the week \$3.78; and milk bill 64¢. Mr. Reese reports his sundry expenses for the week 70¢ and lunches \$1.10. Mrs. Reese went to a matinee 50¢ and Mr. Reese and Charles went to a moving picture show in the evening 20¢. Paid newsboy 13¢.  
Prove cash. Mr. Reese has \$52.82 and Mrs. Reese has \$5.19.
- 20 The family visited friends and paid carfare 40¢.
- 21 Paid laundress \$1.10.
- 22 Paid Yale Laundry bill 28¢.
- 23 Mrs. Reese went shopping and bought material for dresses and other clothing \$4.85; dishes 60¢; kitchen utensils 7¢; postage stamps 10¢; stationery 20¢; 50 lbs. of sugar at 7¢ per pound, \$3.50; 2 Victrola records \$1.50; and carfare 10¢.
- 24 Employed girl to help with the household work Friday morning and paid her 50¢.
- 25 Paid meat and grocery bill for the week \$4.10; milk and cream bill 72¢; bought butter and eggs from a countryman 64¢; paid newsboy 13¢; and bought quinine 15¢. Mr. Reese reports his sundry expenses 79¢ and lunches 95¢.  
Prove cash. Mr. Reese has \$35.13 and Mrs. Reese has \$2.20.
- 26 Sunday School contribution 16¢.
- 27 Paid laundress \$1.10.
- 28 Mr. Reese brought home a basket of fruit which cost 90¢.
- 29 Mrs. Reese bought a supply of canned goods \$2.65.
- 30 Paid 5¢ for telephone call. Mr. Reese deposited \$5.00 in the Hanover Savings Bank. He reports the receipt of his salary for January \$110.

Enter the \$5.00 deposited in the savings bank in the deposit section of the savings fund column on the line for January 31. This is the only entry required. Note that this is not a payment. Mr. Reese simply took \$5.00 of his active cash, i.e., the cash in his pocket, and placed it in the bank for safe keeping.

Prove cash. Mr. Reese has \$134.29, Mrs. Reese \$3.18, and the savings fund must also be included in making the proof.

Reference to the deposit book or to the savings fund column of the cash book shows that \$5.00 is the fund in bank. The sum of these three amounts should equal the difference between the totals of the receipts and payments columns.

Foot all of the columns in the cash book and write the totals in small pencil figures just underneath the line upon which the entries for January 31 appear. Prove that the totals of the classified payment columns are correct by seeing that the sum of the totals of the columns under the main headings of "Current Expenses" and "Property and Investments," exclusive of the savings fund column, is equal to the total of the payments column. The sum of the columns under "Current Expenses" and "Property and Investments" should be \$102.95 not including the \$5.00 entered in the savings fund column. This amount agrees with the total payments shown by the payments column. If your distribution proves, write the totals of the columns in ink in the space for totals provided at the bottom of the page. Then enter the amount of the cash balance in the payments column underneath the total payments, add, and if the total agrees with the total receipts enter the footings to show the cash proof.

Your cash book for January should now appear like illustration 10 on the sheet fastened to the inside of the back cover of your cash book.

The figures in the savings fund column are never included with the totals of the other columns under the headings of "Current Expenses" and "Property and Investments" in proving the distribution of the payments entered in the payments column, because as previously explained the amounts entered in the deposits section of this column are not payments. If, however, any part of the fund is spent, such amount will be entered in the withdrawals section of the fund column so as to show the balance of the fund, while the payment

will be distributed in the column provided for the item for which the payment is made. It is important for you to understand that this fund column has nothing whatever to do with the distribution of payments and simply represents that part of the active cash balance which is on deposit in bank so that it will not be spent unless the remaining active cash is not sufficient to meet expenditures.

*Comparative Statement of Budget Allotments and Expenditures*

The following statement prepared for Walter S. Mason and Family shows the net allowances for the various items this period, the expenditures for these items, the unexpended allowances, the excess of expenditures over allowances, the budget allotments for the next period, and the net allowances for the next period. It should be noted that in this statement the amounts included in the "Net Allowances for this Period" and "Budget Allotments for Next Period" columns are the same, because the family started to keep records January 1. Next month the amounts included in the "Net Allowance for This Period" column will be taken from the "Net Allowance for This Period" space at the top of the cash book or from the last column in the comparative statement for this period.

Rule a sheet of paper and prepare a similar statement from the figures contained in your cash book for James S. Reese and family for the month of January.

Your comparative statement is correct if the differences between the totals of the first and second, the third and fourth, and the fifth and sixth columns are the same; i.e.,  
 $\$110.01 - \$102.95 = \$7.06$  --  $\$17.74 - \$10.68 = \$7.06$  --  
 $\$117.07 - \$110.01 = \$7.06$ .

Observe that the total of the "Net Allowance for This Period" column in the statement is equal to the salary for

*Comparative Statement of Budget Allowances and Expenditures**January 1 to January 31, 19 .**Walter S. Mason and Family*

	Net Allowance for this Period	Amount Spent this Period	Unexpended Allowance this Period	Excess of Expenditures over Allowance this Period	Budget Distribution for next Period	Net Allowance for next Period
<i>Current Expenses:</i>						
Food.....	27 50	29 60		2 10	27 50	25 40
Clothing.....	16 67	14 82	1 85		16 67	18 52
Rent, taxes and insurance.....	20 30	20 00	30		20 30	20 60
Fuel, light and telephone.....	7 00	12 25		5 25	7 00	1 75
Supplies and utensils.....	2 98	3 15		17	2 98	2 81
Laundry and hired help..	4 33	4 10	23		4 33	4 56
Health and toilet.....	4 00	2 15	1 85		4 00	5 85
Education.....	3 75	64	3 11		3 75	6 86
Amusement, recreation and luxuries.....	5 00	1 20	3 80		5 00	8 80
Sundry expenses.....	6 45	7 35		90	6 45	5 55
<i>Property and Investments:</i>						
Furniture and equipment	3 00	4 19		1 19	3 00	1 81
Life insurance.....	4 02		4 02		4 02	8 04
Savings fund.....	5 00		5 00		5 00	10 00
	110 00	99 45	20 16	9 61	110 00	120 55

Proof:

$$\$110.00 - \$ 99.45 = \$10.55$$

$$\$ 20.16 - \$ 9.61 = \$10.55$$

$$\$120.55 - \$110.00 = \$10.55$$



the month and that the total of the "Amount Spent This Period" column agrees with the total of the payments column in the cash book. The 1¢ difference between the salary and the total of the first column is caused by the fractions of 1¢ resulting from dividing the yearly budget allotments in finding the monthly allotments.

## ANALYSIS OF RECEIPTS AND PAYMENTS

### *Lesson in Thrift*

What were the total receipts for the month including the balance of January 1? What were the receipts excluding the balance? What was the income for the month? What were the total payments? Were they greater or less than the income?

What was the amount spent for current expenses? How much was spent for other purposes? How does the amount spent for furniture and equipment differ from the amount spent for expenses?

On which items has the budget allotment been exceeded, and on which items has the family kept its expenditures within or less than the budget allotment? Which items that exceeded the allowance this month will likely be less than the allowance next month? Analyze the payments for food. Do you think that the family has actually exceeded the budget allotment for this item? About how much sugar should a family of five consume in a week? Would it use 50 pounds in eight days. Would it likely use \$2.65 worth of canned goods in two days? How will the sugar and canned goods on hand affect next month's grocery bill?

What was paid for rent, taxes, and fire insurance for the month? What was the actual expense for this item for the month? When will the insurance on the furniture and equipment be entered as a payment?

If there are  $1\frac{1}{2}$  tons of coal in the cellar, what was the actual expense for fuel, light, and telephone? What is the difference between exceeding the budget allotment on an item like supplies and utensils and exceeding the allotment on an item like laundry and hired help or amusements, recreation, and luxuries? Is it possible to regulate expenses on an item like health and toilet to the same extent that such items as food, clothing, rent, and amusements may be regulated? Which would be subject to greater criticism, —exceeding the budget allotment for education or exceeding the allotment for clothing, or food, or amusement, recreation, and luxuries?

Was any money spent for fire and life insurance this month? Was any expense for these items incurred during the month? If the \$4.20 set aside to pay Mr. Reese's life insurance and the 20¢ for fire insurance had been paid, what would have been the total payments for the month, and how much of the income of this month would have been saved? Would enough of the income have been left to provide for the monthly contribution of \$5.00 to the savings fund? If the insurance had been paid, where would the \$5.00 for the savings fund have come from? If there had been no previous savings, could \$5.00 have been deposited, and how much would the payments have exceeded the income, or vice versa? Therefore, how much could have been deposited in the savings fund?

Would it have been better after the salary was received to have taken the \$4.40 necessary to provide for the fire and life insurance and deposited it in the savings bank until it was needed, or would it have been just as well to wait until all other expenses were paid before providing for these items? What would happen if Mr. Reese were unable to pay the premium on his life insurance policy?

Analyze the payments for the month. Which payments

were made for things that were unnecessary. Were any of these payments unreasonable? Do you think the family has been extravagant? In what way did Mrs. Reese assist in keeping the expenditures for clothing within the allotment for the month?

### Exercise 9

Prepare the next page in your cash book to receive the entries for February by proceeding as follows:

1. From the budget enter the allotments as previously instructed.

2. From the column headed "Unexpended Allowance" in the comparative statement of budget allotments and expenditures, enter the unexpended allowances in the cash book in the proper spaces opposite "Unexpended Allowance from Last Period?"

3. From the column headed "Excess of Expenditure over Allowance" in the comparative statement, enter the excess expenditures in the proper spaces opposite "Excess of Expenditure over Allowance Last Period."

4. Add the unexpended allowances from last month to the budget allotments and enter the totals in the spaces opposite "Net Allowance for This Period."

5. Subtract the excess of expenditures over allowances from last month from the budget allotments and enter the remainders in the spaces opposite "Net Allowance for This Period."

6. Bring forward the cash balance and the savings fund balance under date of February 1.

### *Transactions for February*

- Feb. 1 Mr. Reese reports that he paid the February rent \$20, and bought magazines 20¢.
- 2 Paid grocery and meat bill \$2.97, milk bill 72¢, and newsboy 13¢. Mr. Reese reports carfare 60¢ and lunches \$1.10. Clara paid 25¢ to attend a basketball game.

The annual premium of \$2.40 on the policy covering the furniture and equipment will be due this month, and the annual premium of \$50.40 on Mr. Reese's life insurance policy will be due in March. In order to be sure to have funds available to pay these premiums when they are due, Mr. Reese deposited \$25.00 today in the Hanover Savings Bank as an insurance fund. He will make an additional deposit in the fund next month to increase it to an amount equal to the sum that will be required when the life insurance premium is due. He wants a special column kept for the fund, so enter the \$25.00 deposited on the line for this date in the section for deposits in the insurance fund column.

The budget for the year provides that 20¢ for fire insurance and \$4.20 for life insurance shall be set aside from the income each month to meet the payments on these premiums. If the premiums became due and payable at the end of the year, at that time there would be an unexpended allowance of \$2.40 for fire insurance shown in the rent, taxes, and insurance column and an unexpended allowance of \$50.40 for life insurance shown in the life insurance column. If Mr. Reese had deposited the amounts of the budget allotments each month, there would have been a balance of \$52.80 in the insurance fund at the end of the year with which to pay the two premiums.

These premiums, however, are due and payable in February and March. Besides, Mr. Reese has not followed the plan of laying aside the 20¢ and the \$4.20 each month with which to pay the premiums, even though the budget prescribes that this be done. It is therefore necessary for him to lay aside from his active cash funds \$2.40 before February 14, the date upon which the fire insurance premium is due, and \$50.40 before March 25, the date upon which the life insurance premium is due, hence the deposit of \$25.00. This deposit includes the budget allotments or allowances for insurance already distributed in January and February, and an amount which has not yet been distributed. The amount undistributed must now be determined.

The cash book for February, the second month in the year, shows that 40¢ has been distributed by the budget

and accumulated as an unexpended allowance for fire insurance, and that \$8.40 has been distributed and accumulated as an unexpended allowance for life insurance, making a total of \$8.80 for the two items. The undistributed allowance is therefore the amount of the deposit, \$25.00, less the amount already distributed, \$8.80, or \$16.20.

The undistributed allowance must be distributed in the fire and life insurance columns so that the sum of net allowances for fire and life insurance will agree with the amount of the fund shown by the insurance fund column, and so that when the payments are made the rent, taxes, and insurance column and the life insurance column will show net allowances for these items equal to the amounts of the premiums when they become due. The undistributed allowance is distributed by adjusting entries in the cash book.

The amount of the fire insurance premium is \$2.40, therefore it is necessary to first determine how much of the undistributed allowance of \$16.20 will be needed this month in addition to the net allowance already accumulated to pay this premium. The rent, taxes, and insurance column shows a net allowance of \$20.40. Since the rent is \$20.00, there is 40¢ left of this allowance to apply on the payment of the fire insurance premium. Deducting 40¢ from \$2.40 gives \$2.00, the amount of the undistributed allowance of \$16.20 to be applied for fire insurance.

Write \$2.00 above the 20¢ entered in the "Unexpended Allowance from Last Period" space in the rent, taxes, and insurance column, cross out the present total of \$20.40 by a line through the amount, and write the new total of \$22.40 just above it. This new total now becomes the net allowance for rent, taxes, and insurance this month, and after the rent of \$20.00 is paid there will remain \$2.40 as the allowance for fire insurance.

The payment of the fire insurance premium being now provided for, the undistributed allowance to be applied for life insurance is the difference between \$16.20 and \$2.00, or \$14.20. Write the amount just above the \$4.20 entered in the "Unexpended Allowance from Last Period" space, cross out the total of \$8.40, and write the new total of \$22.60 just above it. The headings of the three columns should now appear like the following illustrations:

### ILLUSTRATION XI

[illegible]

Observe that the sum deposited is not a cash payment but that the money has been taken out of the active cash fund and placed in the bank so that it will be available to meet future payments when they become due. Hence, in principle it is identical with the savings fund. Observe also that the sum of the net allowances for fire and life insurance agrees with the balance of the insurance fund shown by the insurance fund column.

Note also that when the rent and fire insurance premium are paid this month, the total payments in the rent, taxes, and insurance column will equal the net allowance for this month in that column, and that the payment of \$2.40 on the fire insurance policy will pay the premium in full until February 13 of next year. As the budget allotment of \$20.20 for this item is distributed in the cash book and the rent of \$20.00 per month is paid, there will be 20¢ accumulated each month from February of this year to February of next year, or a total accumulation of \$2.40, which will be available to meet the next premium on the fire insurance

policy. The adjusting entries you have just made for the undistributed allowance for such deposits are not necessary after the books have been kept for the first year, because as previously explained the budget allotments and the accumulations each month will provide the necessary allowance to meet such payments when they become due. The only reason the adjusting entries are necessary this year is because the payments became due before sufficient time had elapsed to accumulate the allowances through the budget allotments and to provide the fund by the regular monthly deposits.

Next month when Mr. Reese deposits in the insurance fund the amount necessary to meet the payment on the life insurance premium, you will receive instructions for the adjusting entry that will be necessary.

Prove cash. Mr. Reese has \$85.15 and Mrs. Reese has \$1.35.

- 3 Sunday School contribution 12¢.
- 4 Paid laundress \$1.10 and bought washboard and pail for the laundry 78¢.
- 5 Bought text-book, pens, pencils, and tablets for Clara and Charles 63¢.
- 6 Mr. Reese paid the gas and electric light bill for January \$2.83.
- 7 Bought rubbers for Dorothy 50¢ and paid Yale Laundry bill 27¢.
- 8 Mrs. Reese bought a bushel of potatoes from a farmer \$1.65 and Mr. Reese spent 57¢ for shaving cream and tooth paste.
- 9 Paid the grocery and meat bill \$2.82; milk bill 64¢. Mr. Reese's carfare and sundry expenses were 90¢ and lunches 95¢. The newsboy was paid 13¢. Mr. Reese had a phone call 5¢ and Mrs. Reese bought candy 20¢.
- Prove cash. Mrs. Reese has \$4.52 and Mr. Reese has \$67.84.
- 11 Paid laundress 85¢ and bought shoe strings 10¢. Paid doctor \$1.00 for attending Dorothy and had prescription filled 40¢. Mrs. Reese bought  $\frac{1}{4}$  peck apples from huckster 22¢.
- 12 Charles went to a Lincoln birthday entertainment and paid 15¢ for admission.
- 13 Mrs. Reese purchased articles of clothing for herself, Clara, and Dorothy \$3.31, and Mr. Reese paid \$2.95 for a sack of flour.

- 14 Mr. Reese drew out \$2.40 from the insurance fund and paid the annual premium on the fire insurance policy covering the furniture and equipment.

Enter the payments as usual in the payments column. In distributing the expense of the premium on the fire insurance policy, enter the \$2.40 in the rent, taxes, and insurance column. This payment exhausts the budget allotment accumulated to pay the premium on the fire insurance policy.

While the expense for fire insurance was included in the budget on the basis of 20¢ a month for a calendar year, i.e., from January 1 to December 31, this payment pays the premium for the coming policy year, i.e., from February 14 to February 13 next. A distinction should be made between the expense incurred and the entry for the payment of such an item as this, because since the expense is paid for on a yearly basis, during a part of the year part of the expense is paid in advance and before the expense is actually incurred from a bookkeeping standpoint. However, if the expense is provided for in the budget and distributed regularly each month, the actual expense thus incurred for a yearly period will always equal the amount paid for the expense regardless of when it is paid.

Beginning with March, 20¢ will be distributed through the budget in the rent, taxes, and insurance column for the expense on the fire insurance premium so that when the next premium is due \$2.40 will have been accumulated against which the payment will be charged.

Enter the amount of the payment in the withdrawals space in the insurance fund column. At the end of the month the withdrawals will be deducted from the sum of the old balance and deposits in order to find the new balance at that time.

- 15 Paid the hired girl 50¢. Mr. and Mrs. Reese went to a musicale and spent \$1.50.
- 16 The grocery bill for the week amounted to \$3.76 the milk bill 72¢ and Mr. Reese reported sundry expenses 85¢ and lunches 95¢. Mrs. Reese paid the newsboy 13¢ and Charles and Clara went to a photo play 20¢.
- Prove cash. Mr. Reese has \$51.50 and Mrs. Reese \$3.27.
- 17 Church contribution 12¢.



- 18 Paid laundress 90¢; bought two pounds of butter @ 42¢ per pound and 2 dozen eggs @ 32¢ per dozen from a farmer. Mrs. Reese purchased a bottle of toilet water 69¢.
- 19 Mrs. Reese bought a cap and gloves for Charles \$1.10 and gave him 15¢ for an eraser, pencil, and tablet. Mrs. Reese spent 5¢ for telephoning to the dressmaker.
- 21 Paid Yale Laundry bill 21¢ and bought paring knife and lemon grater 35¢.
- 22 On Washington's Birthday Mr. Reese went hunting. He bought ammunition 45¢ and paid carfare 20¢. Mrs. Reese and the children went to a matinee at an expense of \$1.50.
- 23 Paid the following bills for the past week: Meats and groceries \$3.12; milk and cream 66¢; newspapers 13¢; Mr. Reese reports his sundry expenses 75¢ and lunches \$1.05. Mr. Reese purchased a suit for Charles for \$8.98 and opened a charge account at Hutzler Brothers' department store. He established a credit with the store, arranged to pay his bills monthly, and had the suit charged.  
Since Mr. Reese did not pay for Charles' suit, no entries for this item should be made either in the cash payments or clothing columns. The charge purchase should be entered in the charges column under "Bought on Account."  
Prove cash. Mr. Reese reports \$39.34 on hand and Mrs. Reese \$2.52.
- 24 Church contribution 10¢.
- 25 Paid the wash-woman's wages \$1.10.
- 27 Mr. Reese reports that he spent 35¢ for a hair cut and that he bought a ham \$2.13.
- 28 Mr. Reese reports that he purchased a pair of shoes for himself \$3.50; that he received his salary for February \$110; and that he deposited \$5.00 in the Hanover Savings Bank. Enter the deposit on the line for February 28 in the savings fund column.  
Prove cash. Mr. Reese's balance is \$136.53 and Mrs. Reese has \$3.15.

Foot the cash book and prove the distribution with the total payments. If your distribution proves, enter the cash balance as formerly instructed underneath the total payments, enter the footings to show proof, and bring down the balance.

In the savings and insurance fund columns add the deposits during the month, if any, to the balance at the first of the month and write the total. Find the total of the payments made out of the fund, if any, then take the difference between the totals of the two columns to find the balance of the funds at the end of the month. Enter these balances underneath the totals of the payments and enter the footings to show the proof. This section of your cash book should now appear like the illustration on page 50.

Prepare a comparative statement of budget allotments and expenditures from February 1 to February 28 similar to the statement prepared for January. Proceed as follows:

1. Enter the amounts in the "Net Allowance for This Period" column on the statement from the "Net Allowance for This Period" space in the cash book.

2. Then proceed as you did in January by entering from the cash book the amounts spent in the second column.

3. Find the unexpended allowances or the excess of expenditures over allowances and enter the amounts in the third or fourth columns.

4. Enter the budget allotments for next month from the budget.

5. Then add the unexpended allowances to the budget allotments or subtract the excess of expenditures and enter the amounts in the "Net Allowance for Next Period" column. Since no payments have been made from the savings fund, the amount to be entered in the first column is \$10.00, the balance shown by the cash book. This amount is also carried over to the "Unexpended Allowance" column, the \$5.00 for the budget allotment appears in the fifth column, and adding the unexpended allowance to the budget allotment gives \$15.00, the net allowance for the next period.

6. Foot the columns and prove your statement as instructed for January. The totals should be \$133.27, \$80.19



\$55.14, \$2.06, \$110.01, and \$163.09. The differences between the columns should be \$53.08.

7. Observe that the total of the "Net Allowance for This Period" column is equal to the sum of the February salary of \$110 and the difference between the unexpended allowances and excess of expenditures over allowances of \$7.06 shown by the comparative statement for January. The 1¢ difference is due to fractions. Note also that this total is always the total of the "Net Allowance for Next Period" column in the comparative statement for the preceding period. Your statement should now appear like the illustration on the following page.

#### ANALYSIS OF RECEIPTS AND PAYMENTS

##### *Lesson in Thrift*

What were the total receipts for the month including the balance February 1? What were the receipts excluding the balance? What was the income for the month? What were the total payments? Were they greater or less than the income?

What was the amount spent for current expenses? Was this amount greater or less than the amount spent for current expenses in January? Why should the expenses be less this month?

Does the amount paid for expenses this month equal the expense incurred? Has anything been purchased that has not been paid for? Has any expense item been paid for this month, the whole of which is not properly chargeable as expense for this month? How much is properly chargeable as expense for this month and how much of it is a "prepaid expense?" Therefore, how much must be added to and subtracted from the amount paid for expenses in ascertaining the exact amount of expense incurred this month? How

*Comparative Statement of Budget Allotments and Expenditures  
February 1 to February 28, 19 .*

Items	Net Allowance for this Period	Amount Spent this Period	Unexpended Allowance this Period	Excess of Expenditure over Allowance this Period	Budget Distribution for next Period	Net Allowance for next Period
Current expenses:						
Food.....	27 90	28 09		19	30 00	29 81
Clothing.....	18 95	8 51	10 44		18 00	28 44
Rent, taxes, & insurance	22 40	22 40			20 20	20 20
Fuel, light & telephone..	1 48	2 93		1 45	8 00	6 55
Supplies & utensils.....	1 49	1 13	36		1 67	2 03
Laundry & hired help....	6 27	4 93	1 34		5 92	7 26
Health & toilet... ..	3 14	3 01	13		2 50	2 63
Education.....	2 75	78	1 97		1 67	3 64
Amusement, recreation, & luxuries.....	11 99	4 25	7 74		6 67	14 41
Sundry expenses. ....	3 74	4 16		42	4 10	3 68
Property and investments						
Furniture & equipment. ...	56		56		2 08	2 64
Life insurance.....	22 60		22 60		4 20	26 80
Savings fund.....	10 00		10 00		5 00	15 00
	133 27	80 19	55 14	2 06	110 01	163 09

**Proof**

**\$133.27 - \$ 80.19 = \$53.08**

**\$ 55.14 - \$ 2.06 = \$53.08**

**\$163.09 - \$110.01 = \$53.08**

does this exact amount of expense compare with the income for the month?

On which items has the budget allotment been exceeded, and on which have the expenditures been kept within or less than the budget allotment? How do the current expenses of this month compare item by item with the current expenses for last month? Which items of expense have increased and which have decreased?

Was the expense for clothing this month the same as the payments for clothing? How will the clothing charged on February 23 affect the payments for clothing next month if it is paid in March, and how will its payment affect the expense for clothing in March? Including the item bought on account, was the expense for clothing kept within the budget allowance this month?

How much was spent for rent, taxes, and insurance this month? Of the amount spent how much was properly chargeable as expense for this month? To what date is the insurance on the furniture and equipment paid?

Why is the amount paid for fuel, light and telephone this month less than the same item for last month? Is the expense for this item greater or less than the net allowance? Is the expense on this item for January and February greater or less than the budget allotment for the two months? Will the expense likely exceed the allotment for the next few months?

How does an expense for supplies and utensils differ from an expense for fuel, light, and telephone, or laundry and hired help? Would it be wise to try to reduce the expense on laundry and hired help?

The expense for education for January and February has been less than the budget allotment. Can you give any reason for this? The expense for amusement, recreation, and luxuries is considerably less than the budget allotment.

Why do you suppose Mr. and Mrs. Reese are endeavoring to keep well within the allotment on this item at this time?

Does it seem as though the allotment for sundry expenses is sufficient? Has Mr. Reese been economical? Could any of the other sundry expense items be reduced very much? How does the expense for food for the two months compare with the budget allotment for that time? Taking into consideration the present cost of food stuffs, do you think Mrs. Reese has been extravagant in setting her table?

What is the active cash balance in the hands of Mr. and Mrs. Reese? What is the amount of the savings fund? What is the unexpended balance of the insurance fund? What is the sum of these amounts equal to? On a yearly basis how much must Mr. Reese set aside each month to meet the premium on his life insurance policy when it becomes due? Why is he at this time setting aside an amount considerably larger than is required on a monthly basis?

The cash book shows a balance of \$172.28 on February 28. How much of this is in the savings bank? How much of the active cash funds will be required to meet March payments on the basis of the schedule of expenditures adopted? If you had the active cash fund in charge, how would you provide for its safe keeping? What would be a wise move in regard to the amount of the cash balance in excess of the amount required to meet March payments?

### *The Bank Account*

It is now practically a universal custom to deposit money in banks for safe keeping. This avoids the danger of loss or theft of funds which exists when money is carried in one's pocket or kept about the house. Another advantage of depositing money in a bank is that payments can be made more conveniently. Payment of money on deposit is generally made by check.

A check is a written order upon a bank, drawn by a party who has money on deposit in the bank, instructing it to pay a designated sum of money to the party named in the check. Checks therefore pass from one party to another the same as cash. Banks keep a record of sums deposited by each individual and a record of the checks drawn on such deposits. The difference between the total deposits and the sum of the checks will at any time show the balance of cash in the bank to the credit of the depositor. As a matter of bookkeeping practice, at the end of each day's business the banks find the balance which stands to the credit of each depositor by adding to the balance of the preceding day the deposits for the day and deducting the checks paid during the day.

The depositor likewise keeps a similar record. The bank provides him with a bank book in which the deposits are entered, and with a book of blank checks, which are used in making payments. When money is deposited the amount of the deposit is entered in the bank book by the receiving teller of the bank, and the depositor enters the amount of the deposit in his check book. He deducts from the balance shown by the check book the amount of each check as it is drawn. At the end of the month the bank book should be taken to the bank to be balanced, which means that the bank will show the amount of checks paid during the month deducted from the total deposits, and the balance at the end of the month. The depositor then compares the balance shown by his check book with the balance shown by the bank book to see if they agree.

### *Opening a Bank Account*

A bank requires a person who wishes to open an account with it to be introduced or identified by some responsible person known to the bank. This protects the bank against having business relations with dishonest or irresponsible



persons. When the account is opened the depositor is required to fill out an identification or signature card. The purpose of this card is to furnish the bank with a convenient record of the person or persons who are authorized to sign checks and the authorized signatures of such persons which will appear on checks presented for payment. When a check is presented for payment the paying teller of the bank can refer to this signature card to see if the signatures on the card and check agree. This is the bank's protection against forged checks. If there is any question as to the validity of the signature or the check, the depositor can be communicated with before the bank pays the check. The following is an illustration of an identification or signature card.

## ILLUSTRATION XIII

TO THE NATIONAL EXCHANGE BANK OF BALTIMORE, MD.	
Below please find duly authorized signature, which you will recognize in payment of funds or the transaction of other business on my account.	
Signature	<i>James S. Deane</i>
Address	<i>1225 Cottage Grove Ave</i>
Introduced by	<i>R. A. Whitacre</i>
Date	<i>Mar 7 1919</i>

When a deposit is made, a deposit ticket or slip is made out by the depositor and presented to the receiving teller with the cash or other items included in the deposit, and the bank book. The receiving teller verifies the deposit, enters it in the bank book, and returns this book to the depositor. The bank book is generally referred to as the "pass book." The deposit tickets serve to identify deposits and furnish the data from which the receiving teller credits depositors

for deposits in the accounts which the bank keeps with its customers. These deposit slips are so arranged as to properly classify the different items included in deposits. The following is an illustration of a deposit ticket.

## ILLUSTRATION XIV

DEPOSITED IN

**THE NATIONAL EXCHANGE BANK**  
 OF BALTIMORE.
By D. P. Clarkson,BALTIMORE, MD. Jan 2, 1919.

CHECKS AND DRAFTS CREDITED SUBJECT TO FINAL PAYMENT.

PLEASE LIST EACH CHECK SEPARATELY

	DOLLARS	CENTS
Currency	22	—
Specie		50
Checks		
CHECKS AS FOLLOWS: LIST EACH CHECK SEPARATELY		
Wash. & Manuf. City	75	—
Comm. Natl. "	18	25
City Natl. N.Y.	14	25
	130	—
Total,		

SEE THAT ALL CHECKS AND DRAFTS ARE ENDORSED

The depositor must always keep a record of his deposits and checks so that he may know at any time what his balance in bank is. The check book contains a stub for the keeping of

such a record. When the first deposit is made the deposit is entered on the stub. When a check is to be written the stub is first filled out and the amount of the check is deducted from the deposit to show the balance. The check is then written from the information contained on the stub and detached from the book. If checks are written before the stub is filled out there is a possibility that the record on the stub may be overlooked. As other deposits are made their amounts are added to the balance shown on the stub and the amounts of checks should be regularly deducted as above explained. The following illustration shows a check and check stub properly filled out.

## ILLUSTRATION XV

No. 3	
Jan. 2, 1919	
To F. A. Shaver & Son	
For (Signature)	
	DOLLARS CTS.
Bal. bro't for'd	250.46
Am't deposited	130
Total	380.46
Am't. check	122.50
Bal. card for'd	257.96

BALTIMORE, MD. January 2, 1919 No. 3

## THE NATIONAL EXCHANGE BANK 7-10

PAY TO THE ORDER OF F. A. Shaver & Son \$ 122.50  
One Hundred Twenty Two & 50/100 DOLLARS  
D. P. Clarkson

Checks should invariably be written in ink in order to prevent their alteration and to assist the bank in detecting any changes which may have been made. Never attempt to make an erasure or correction on a check. If you receive a check that is not correct in all details, do not attempt to correct it yourself, but return it to the person who wrote it and ask for a corrected check. Likewise if you make an error in writing a check, do not attempt to correct it by an erasure or other alteration, but destroy it and write another.

There are three parties to a check,—the drawer, the drawee and the payee. The drawer is the party who writes the check directing the bank to pay the money stated therein.

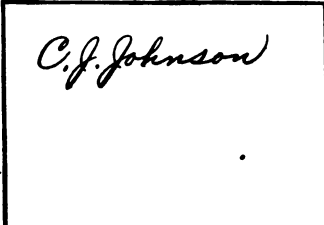
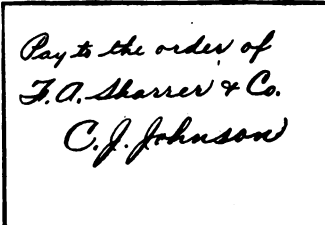
He is the signer of the check. The drawee is the party upon whom the check is drawn and the party who pays the money out of the funds held on deposit for the drawer. In most instances the drawee is a bank or a banker. The payee is the party to whom the money is to be paid. He is the party who receives the money.

When a person presents a check that is drawn in his favor to his bank for deposit, or to the bank upon which it was drawn for payment, or transfers it to another party, the check must be endorsed by him. An endorsement is a writing on the back of a check, note, or other negotiable instrument which transfers the title to or ownership of the property named therein from one party to another. When a check is deposited the receiving bank requires the signature of the payee on the back, which is his endorsement, so that it can show its right to collect the amount of the check from the drawee; i.e., the bank or banker upon which it is drawn. When the bank upon which a check is drawn pays it, it requires the payee or the person who receives the money to endorse it, which endorsement serves as a receipt to show that it paid the money as directed therein. When one party transfers a check to another party he must endorse it so as to give the person who receives it a clear title to the amount stated in the check and the right to collect it.

There are several kinds of endorsements but the ones most generally used are "endorsements in blank" and "endorsements in full." An endorsement in blank consists only of the name of the payee written on the check. As a matter of custom endorsements are almost invariably written on the back of the check. An endorsement in full consists of an order signed by the payee to pay a certain person and is usually written "Pay to the order of (a certain person)" and is signed by the payee. A payee becomes an endorser

when he endorses a check. The following are illustrations of endorsements in blank and endorsements in full.

## ILLUSTRATION XVI

Endorsement in Blank	Endorsement in Full
	

The illustration on the next page shows a bank pass book as it appears after being balanced. The entries for the first deposit and the first check correspond with the illustrations above. As a matter of practice banks do not usually itemize the checks paid but show all of the checks paid for one month in one amount. Many banks also send their depositors at the end of each month an itemized statement showing the cash balance at the beginning of the month and all deposits in one column, and all the checks paid during the month and the balance at the end of the month in another column. When this is done the bank pass book is frequently not used but the depositor is supplied with a book of duplicate deposit slips, the originals of which are sent to the bank with deposits and the duplicates are kept by the depositor.

ILLUSTRATION XVII

The National Exchange Bank of Baltimore.

*E. P. Clarkson* Cr.

Dr.		In account with		Cr.	
1919				1919	
Jan. 1	Balance		300.32	Jan. 1	Ch.
	2.0		130. —		2.0
	30.0		12.5 —		9.0
					17.0
					26.0
					30.0
					31 Balance
			555.32		42.50
1919					7.36
Feb. 1	Balance		349.12		122.50
					32.1
					15. —
					3.88
					11.75
					349.12

**Exercise 10**

Prepare the next page in your cash book to receive the entries for March as previously instructed. Do not forget to bring forward the balances of the fund and charges columns.

*Transactions for March*

Mar. 1 Bought vegetables from a huckster 55¢.

Since the premium on Mr. Reese's life insurance policy must be paid this month, he will deposit a sufficient amount of his active cash to increase the insurance fund already on deposit to the amount required to pay the annual premium. By referring to the cash book for March he finds that the balance of the fund is \$22.60, the difference between the \$25.00 deposited and the \$2.40 withdrawn to pay the fire insurance premium in February. Since the annual premium on the life insurance policy is \$50.40, the fund must be increased by the difference between the premium and the present fund or \$27.80. Mr. Reese reports that he deposited this amount in the Hanover Savings Bank to-day. Enter the amount of the deposit in the proper space in the insurance fund column in the cash book.

The net allowance for this month for life insurance shown by the cash book is \$26.80. This allowance consists of \$4.20, the budget allotment for this month, plus the unexpended allowance from last month of \$22.60. Since a fund of \$50.40 has been provided to pay the premium on the life insurance policy and \$26.80 is the amount distributed for this purpose, the unexpended allowance now to be distributed is the difference between these amounts or \$23.60.

Write \$23.60 just above the \$22.60 entered in the "Unexpended Allowance from Last Period" space in the life insurance column, cross out the total of \$26.80 and write the new total of \$50.40 just above it. This new total now becomes the net allowance for this month for life insurance and agrees with the amount of the insurance fund.

The amount distributed by the adjusting entry you have just made may be proven with the amount deposited, \$27.80, by deducting from the amount of the fund, \$50.40, the

\$22.60 carried forward as the net allowance from last month. The difference is \$27.80, the amount of the deposit. Also observe that the sum of \$4.20 distributed this month plus the \$23.60 distributed by the adjusting entry gives \$27.80, the amount of the deposit.

- 2 Paid the following bills: Groceries and meats \$3.15; milk 64¢; newspapers 13¢. Mr. Reese reports that his lunches for the week cost \$1.00 and that he spent 97¢ for sundry expenses.

Mr. and Mrs. Reese decided to open a checking account, to deposit the salary check each month in the bank, to pay as many accounts as possible by check, and to check out funds to meet current cash payments as needed.

Mr. Reese accordingly has furnished the Merchants Bank with satisfactory references and has opened an account with it and deposited \$100 of his active cash funds.

Enter the amount of this deposit on the stub of the check book similar to the entry for the deposit in Illustration 15. No other entry is required.

- 3 The family visited at the home of Mrs. Reese's mother and paid carfare 40¢; 30¢ was spent for hot chocolate on the way home.
- 4 Paid wash-woman \$1.10. Write a check for \$20 in favor of the City Realty Company to pay the March rent. Do not sign the check, however, because Mr. Reese is the only member of the family authorized to sign checks. For the purposes of this work the teacher will impersonate Mr. Reese.

In writing the check for the rent, first fill out the stub, referring to Illustration 15. Deduct the amount of the check from the amount of the deposit and show the balance. Then write the check and *from the stub* make the entry in the cash book, entering the amount in the payments column as for previous payments and distribute the expense in the proper column. Then take the check to your teacher for signature. While the teacher will retain the check, in actual practice Mr. Reese would mail it to the City Realty Company after signing it.

- 5 A bill for one ton of coal, \$5.50, was received from the Enterprise Fuel Co. It is to be paid by check. Write the check, take it to your teacher for signature, and make the proper entry.



- 7 Clara spent 10¢ for school supplies. Mrs. Reese purchased toilet articles 27¢.

Mrs. Reese expects to go shopping tomorrow and as she does not have sufficient funds Mr. Reese has arranged to give her a check for \$15 which she will have cashed. Write the check and deduct the amount from the previous balance, making the check payable to "Cash." Then take the check to your teacher for signature. In having the check cashed Mrs. Reese will endorse her name on the back of it, present it to the paying teller of the bank, who will give her \$15 in money. No entry is required in the cash book until Mrs. Reese reports the amount spent.

- 8 Mrs. Reese went shopping and purchased a number of articles of spring clothing needed for the members of the family. Her total purchases of clothing amounted to \$12.67. She also purchased 3 Victrola records \$2.25 and paid carfare 10¢.

As Mr. Reese's funds with which to pay current expenses are getting low, he wants a check for \$10 payable to his order. Write the check, and take it to the teacher for signature. Mr. Reese will have it cashed Saturday morning and will give Mrs. Reese \$5.00 with which to pay her bills for the week.

Paid the meat and grocery bill for the week \$4.14, milk bill 58¢ and newspapers 13¢. Mr. Reese's lunches were 90¢ and sundry expenses 85¢. Paid the gas and electric light bill amounting to \$2.88 by check. Write the check in favor of The Union Gas and Electric Co. Mr. and Mrs. Reese went to the theater Saturday night and paid \$2.00 for tickets and 20¢ for carfare.

Prove cash. Mr. Reese's balance is \$3.96 and Mrs. Reese's balance is 49¢. In proving cash, to these amounts must be added the balance shown by the check book stub and the amounts of the savings and insurance funds. If the sum of these amounts agrees with the difference between the receipts and payments columns, the cash proves.

- 10 Sunday School and church contribution 17¢.
- 11 Paid wash-woman's wages \$1.10. Write a check in favor of Hutzler Brothers in payment of their bill for Charles' suit purchased on February 23. Mr. Reese (the teacher) will sign and mail the check to-night.

Enter the payment in the payments and clothing columns as usual. Also enter the amount of the check in the charges paid column. The entries in the charges and charges paid columns will now balance, showing that all purchases on account have been paid.

- 12 Clara spent 15¢ for school supplies for Charles and herself.
- 13 Paid Yale Laundry bill 22¢.

- 14 Write a check for \$15, payable to the order of cash, for Mr. and Mrs. Reese who are in need of funds with which to pay current expenses. Mr. Reese will give Mrs. Reese \$7.50 as her week's bills must be paid the day after tomorrow.

- 15 Mr. Reese reports \$2.50 paid to a dentist for having a tooth filled.

- 16 Mrs. Reese paid the grocery and meat bill for the week \$3.19; milk bill 56¢; newsboy for newspapers 13¢. Mr. Reese's lunches for the week cost 90¢ and other sundry expenses were 86¢. Mrs. Reese, Clara, Charles, and Dorothy went to a moving picture show Saturday evening and spent 30¢.

Prove cash. Mr. Reese has \$5.03 on hand, and Mrs. Reese has \$4.34.

- 17 They had friends for dinner and paid 60¢ for ice cream for dessert.

- 18 Paid wash-woman \$1.10. Mrs. Reese bought kitchen supplies 65¢ and postage stamps 10¢.

- 19 Mrs. Reese purchased magazines 25¢ and had a telephone call 5¢.

- 20 Mr. Reese bought a doll for 95¢ for Dorothy's birthday present. Charge amusements.

- 22 Mrs. Reese bought vegetables and poultry from a countryman \$1.95.

Mrs. Reese needs money to pay the bills due tomorrow, so Mr. Reese will have a check for \$7.50 cashed for her tomorrow morning. Write the check in favor of cash.

- 23 Mrs. Reese paid grocery bill for the week \$3.78, milk bill 68¢ and newsboy 13¢. Mr. Reese's lunches for the week were 90¢ and other sundry expenses \$1.03.

The premium on Mr. Reese's life insurance policy is due Monday, March 25. Mr. Reese has withdrawn the amount of the premium, \$50.40 from the Hanover Savings Bank, receiving a cashier's check for the amount, and has mailed it to the insurance company.

Enter the payments as usual in the payments column. In distributing the payment of \$50.40 for the life insurance premium, enter it in the life insurance column. This payment exhausts the budget allowance which has been accumulated to pay it. Enter the \$50.40 paid out of the fund in the withdrawals space of the insurance fund column. Observe that the payment exhausts the fund.

Prove cash. Mr. Reese has \$2.15 and Mrs. Reese has \$2.55.

- 24 Church and Sunday school contributions 14¢.
- 25 Paid wash-woman \$1.10. Write a check in favor of cash for \$10, \$7.50 of which is for Mrs. Reese and \$2.50 for Mr. Reese with which to meet current expenses.
- 26 Mrs. Reese purchased a broom 50¢, and furniture polish 39¢.
- 27 Mrs. Reese received lace curtains and tapestries from the laundry, which she had washed and cleaned, and paid the laundry bill \$2.25.
- 28 Mr. Reese purchased some flower and vegetable seeds for the garden for \$1.30. The vegetable seeds cost 95¢ and should be charged to food. The flower seed is a sundry expense.  
The vegetable seed is charged to food because the garden will later produce a supply of vegetables and thus reduce the amount spent for table requirements later on in the summer.
- 29 Mrs. Reese purchased laundry and kitchen supplies 47¢, toilet articles 20¢, and went to a moving picture show 10¢.
- 30 Mrs. Reese paid the grocery and meat bill for the week \$3.89, milk bill 64¢, and newsboy 13¢. Mr. Reese's lunches cost \$1.15 and his sundry expenses were 94¢.  
Prove cash. Mr. Reese has \$1.12 and Mrs. Reese has 38¢.

Foot the cash book and prove the distribution with the total payments. Enter the cash balance and foot the fund columns and find the balances of the funds.

Prepare a comparative statement of budget allotments and expenditures from March 1 to March 31. Since Mr. Reese did not deposit \$5.00 in the savings fund at the end of March the same balance of \$10.00 must be entered in the "Net Allowance for This Period" and the "Unex-

pended Allowance for This Period" columns. To this amount should be added the budget allotment of \$5.00 entered in the fifth column to find the net allowance for next month entered in the sixth column.

Prove your statement as instructed for January and February. If it is correct the totals are as follows: \$181.69, \$155.64, \$31.94, \$5.89, \$110.01, and \$136.06.

### ANALYSIS OF RECEIPTS AND PAYMENTS

#### *Lesson in Thrift*

What were the total receipts for the month including the balance March 1? What were the receipts excluding the balance? What was the income for the month? Regardless of whether or not the salary check was received this month, should the salary be considered as income for the month? Can you suggest a reason for the salary check not being received this month? What were the total payments? Were they greater or less than the income?

What was the amount spent for current expenses? Was this amount greater or less than the amount spent for similar expenses in January and February? In which month have the expenses been highest and in which month lowest?

Does the amount paid for expenses this month equal the expense incurred this month? Has anything been purchased this month that has not been paid for? Has anything been paid for this month that was not purchased this month?

Has any expense item been paid for this month, the whole of which is not properly chargeable as expense for this month? Has any expense been paid in a previous month, part of which is properly chargeable this month? How much is properly chargeable as expense this month, and how much is prepaid expense? Find the actual expense incurred this month by finding the total of the payments for expenses this

month, plus any expense incurred this month that was paid for previously, less any items which were paid for this month the expense of which was incurred in previous months. How does this exact amount of expense compare with the income for the month?

On which items has the net allowance for this month been exceeded and on which have the expenditures been kept within or less than the net allowance for this month? On which items have the budget allotments been exceeded and on which have the expenditures been kept within or less than the budget allotment? How do the current expenses of this month compare item by item with the current expenses for previous months? Which items of expense have increased and which have decreased as compared with the corresponding amounts for January and February?

Taking into consideration the time required and the materials used, would it have been cheaper to have made the ice cream purchased on March 17 at an expense of 60¢? Is it likely that the payments for food will be as large during the next few months as they have been? Why? Do you think it was proper to charge the seed for the vegetable garden to food? Why?

How much was paid for clothing during the month? What was the expense incurred? Will the expense for clothing for the next month or two be more, less, or about the same as the expense for March? If Mr. Reese had found it necessary to purchase a suit of clothes, say for \$25, how much would the net allowance for this month and the budget allotment for this month have been exceeded? From the standpoint of economy, when is the best time to buy summer clothing and winter clothing?

How much was spent for rent, taxes, and insurance this month? What was the expense incurred for this item this month? When will the next premium on the fire insurance

policy be due? How has the expense which will be incurred between the present time and that date been provided for?

How much does the amount spent for fuel, light, and telephone exceed the net allowance for this month? How much does it exceed the budget allotment? In the next few months should the expense be greater or less than the budget allotment?

What expense was incurred for laundry and hired help this month that was not incurred in previous months? Did Mrs. Reese accurately estimate the expense for supplies and utensils?

What is the total of the sundry expenses to date? How much did the expenses exceed the net allowance for this month and the budget allotment? How much have the expenses exceeded the budget allotment for the first three months of the year? If these expenses continue as high as they have been, what will be necessary? Is it likely that they will continue to exceed the budget allotment? Could any budget allotment be reduced so as to increase the allotment for sundry expenses?

What is the active cash balance in the hands of Mr. and Mrs. Reese? What is the amount of the savings fund? What is the amount of the insurance fund? What is the sum of these amounts equal to?

How did Mr. Reese provide for the payment of the fire and life insurance premiums which were due in February and March? After providing 20¢ for fire insurance, \$4.20 for life insurance, and \$5.00 for the savings fund each month, how much of Mr. Reese's monthly salary remains to be spent for other purposes? Have the payments in any month exceeded this amount? If the family continues to spend more than that part of the salary which is left after providing for the savings and insurance each month, as was the case

in January and March, what will the result be? How should the payment of the premiums which will be due in February and March of next year be provided for?

What is the cash balance March 31? How do you prove cash? How would you make sure that the balances in the Merchants Bank and the Hanover Savings Bank are correct as shown by your records? What are the advantages of depositing money in a bank? What are the advantages of creating a fund from which to meet future payments?

If Mr. Reese should get an increase in salary of \$5.00 per month, what disposition would you make of the increase in the budget?

### Exercise 11

Having used the cash book for three months, you should now be thoroughly familiar with the bookkeeping work required in keeping a daily record of the receipts and payments of the family. In order to reduce the routine work to a minimum, the payments for the next nine months will be reported to you in totals for each month. You will also receive instructions regarding new transactions, but from now on you will work on a monthly basis instead of on a daily basis. Since you have learned how to write checks and are familiar with the check book, that book will not be used in subsequent transactions. Your work will be confined entirely to making the entries required for them.

Beginning with April 1 Mr. Reese's salary has been increased to \$115.00 per month. It is therefore necessary for the family to determine what disposition is to be made of the additional income of \$5.00 per month.

#### *Preparation of New Budget*

The comparative statements for January, February, and March show that the sundry expenses have been regularly

exceeding the budget allotment, and that for the three months \$3.38 has been spent in excess of the estimate for this item. Mr. and Mrs. Reese have therefore decided to increase the allotment for sundry expenses \$2.00 per month, and to make an effort to save the other \$3.00 of the increase in salary. In accordance with this decision Mr. Reese will deposit \$8.00 per month in the Hanover Savings Bank, instead of \$5.00, beginning with the month of April.

It is necessary to prepare a revised budget showing the amounts set aside under this new arrangement. From the data contained in the original budget prepare on another sheet a new budget increasing the savings fund allotment from \$5.00 to \$8.00, and the sundry expenses allotment from \$4.10 to \$6.10. If your revised budget is correct the total of the month column is \$115.01 and the total of the year column is \$1380.00.

Prepare the next page in your cash book to receive the entries for the months of April to December inclusive. As previously explained you will record the payments for the remainder of the year in totals in order to save time, since you are familiar with the routine work of recording daily payments. In entering the amounts in the budget allotment space in the cash book it is therefore necessary to include the allotment for nine months instead of for one month as formerly. Proceed as follows:

1. Multiply each monthly allotment included in the revised budget you have just prepared by 9 to find the budget allotments for nine months, and enter the amounts in the proper spaces and columns in the cash book.

2. From the comparative statement of budget allotments and expenditures for March on the next line enter the amounts of the unexpended allowances from last month.

3. From the comparative statement, on the next line enter the amounts of the excess of expenditures over allowances from last month.



4. In the next space in the cash book for net allowance for this period add to the budget distribution for the nine months the unexpended allowances from last month, or subtract from the budget distribution the excess of expenditures over allowances from last month, to find the net allowances for this period, writing the amounts in the proper spaces.

5. Bring forward the balances. You are now ready to record the transactions for April to December inclusive.

### *Transactions for April*

April 1. Mr. Reese reports that he received his salary check for March \$110.00. The salary was not paid on March 31 because the last day of the month was Sunday. He deposited the check in the Merchants Bank.

In order to carry out the plan of setting aside \$4.40 each month to provide a fund with which to pay the fire and life insurance premiums which will be due in February and March of next year, it is necessary to lay aside this amount from the March salary in order to have the funds available when the premiums will have to be paid. Mr. and Mrs. Reese also desire to lay aside \$5.00 of the March salary in the savings fund.

In accordance with this plan Mr. Reese reports that he wrote a check for \$9.40 in favor of the Hanover Savings Bank, which he deposited in that bank, \$5.00 of which is to be included in the savings fund, and \$4.40 in the insurance fund. Make the proper entries for these transactions.

The payments for April were as follows:

Food.....	\$25.34
Education.....	.53
Supplies and Utensils.....	.45
Rent, Taxes, and Insurance.....	20.00
Amusement, Recreation, and Luxuries.....	3.20

Laundry and Hired Help.....	10.02
Clothing.....	21.45
Health and Toilet.....	2.42
Sundry Expenses.....	5.47
Fuel, Light and Telephone.....	2.99
Purchases on account:	
Provisions.....	3.25

Mr. Reese reports the receipt of his salary check \$115.00. He also deposited a check for \$12.40 in the Hanover Savings Bank, which includes \$8.00 for the savings fund and \$4.40 for the insurance fund. Do not overlook the entry in the charges column for the provisions purchased on account.

### *Transactions for May*

The payments for May were as follows:

Education.....	\$ .68
Fuel, Light, and Telephone.....	2.65
Rent, Taxes, and Insurance.....	20.00
Laundry and Hired Help.....	4.80
Health and Toilet.....	1.29
Supplies and Utensils.....	1.80
Amusement, Recreation, and Luxuries.....	3.75
Clothing.....	9.89
Sundry Expenses.....	5.36
Food (cash purchases).....	22.78
Payments for purchases on account:	
Provisions bought in April.....	3.25
Purchases on account:	
Clothing.....	25.70
Furniture.....	4.45

**NOTE:** Enter the purchases of food for cash and on account in one amount, in the food column; also make the necessary entries in the charges and charges paid columns.

The receipt of his salary check of \$115.00 is reported by Mr. Reese. He also states that he deposited a check for \$12.40 in the Hanover Savings Bank, which includes \$8.00 for the savings fund and \$4.40 for the insurance fund.

*Transactions for June*

The payments for June were as follows:

Health and Toilet.....	\$ 4.90
Clothing (cash purchases).....	4.50
Amusement, Recreation, and Luxuries.....	4.15
Education.....	1.20
Food (cash purchases).....	21.97
Purchases on account:	
Provisions.....	3.09
Laundry and Hired Help.....	5.15
Rent, Taxes, and Insurance.....	20.00
Sundry Expenses.....	5.12
Fuel, Light, and Telephone.....	2.56
Payments for purchases on account:	
Furniture and Equipment purchased in May.....	4.45
Clothing bought in May.....	25.70

NOTE: Enter the payments for the clothing and furniture purchased last month in one amount in the charges paid column.

Mr. Reese received his salary check for the month \$115.00 and deposited a check in the savings bank for \$12.40.

Prove cash. Mr. Reese has \$5.24, Mrs. Reese \$3.20, and the balance in the Merchants Bank is \$138.78.

Mr. and Mrs. Reese desire to know how their expenditures for the first six months of the year compare with the budget allotments. It is therefore necessary to prepare a comparative statement of budget allotments and expenditures for the period from January 1 to June 30. Proceed as follows:

1. Foot the columns of the cash book, writing the totals in small pencil figures directly underneath the line upon which the last entries were made. Leave enough room to write the entries for the next month on the line below the entries for June.

2. Rule a sheet of paper for the comparative statement with six columns to be headed as follows: "Budget Allot-

ment for This Period," "Amount Spent This Period," "Unexpended Allowances This Period," "Excess of Expenditures over Allowances This Period," "Budget Distribution for Next Period," and "Net Allowance for Next Period."

3. Refer to the revised budget prepared April 1 and divide the yearly allotment for each item by 2 in order to find the budget allotment for six months. Enter these amounts in the first column on the comparative statement but remember that the savings fund allotment is composed of \$5.00 a month for the first three months and \$8.00 a month for the second three months, and that the sundry expenses allotment is composed of \$4.10 a month for the first three months and \$6.10 a month for the second three months.

4. Find the amount spent for each item included in the budget by adding the footings of the columns in the cash books for January, February, March, and April, May, and June. Then enter the totals thus found in the Amount Spent column in the statement.

5. Enter the unexpended allowances and the excess of expenditures over allowances in the next two columns.

6. Enter the budget allotments for the next six months in the fifth column. These amounts are one-half of the yearly allotments shown in the revised budget of April 1.

7. Add the unexpended allowances to the budget allotments, or subtract the excess of expenditures from the allotments and write the amounts in the last column.

8. Prove your statement. If it is correct, the totals are as follows: \$714.80, \$606.60, \$113.27, \$5.07, \$690, and \$798.20. The differences between the totals on your statement should be \$108.20.

## ANALYSIS OF RECEIPTS AND PAYMENTS

*Lesson in Thrift*

What were the total receipts from April 1 to June 30, including the balance April 1? What were the payments during this period? What is the balance on June 30?

What were the receipts from January 1 to June 30 including the balance January 1? What were the payments during this period? What is the balance on June 30? Does this solution give the same balance as the above solution? Should the two solutions give the same balance?

How much did the income for the six months exceed the expenditures for the same time? What is the difference between these two amounts equal to? What is the difference between the unexpended allowances and the excess of expenditures over allowances for the six months? What is this amount equal to? How much does the net allowance for the next six months exceed the budget allotment for the next six months? What is this amount equal to?

What was the income from April 1 to June 30? How much was spent during this period? Was any money spent for life insurance in this period? How much was spent for furniture and equipment? Should payments for such items be considered expenses? Was any money spent for fire insurance in this time? When was the annual premium on the fire insurance policy paid? Is the fire insurance premium an expense? If so, how much of the expense was incurred during this period? Therefore, of the total payments of \$267.82 from April 1 to June 30, how much is actual expense incurred for the three months? How does this actual expense compare with the income in the same time?

What was the income from January 1 to June 30? How much was spent during this period? How much was paid

during the six months for life insurance? How much for furniture and equipment? Should the payments for these items be considered expenses? How much was paid for fire insurance during the six months? Is the fire insurance premium an expense? If so, what was the expense incurred for the first six months of this year? How much of the premium paid February 14 is a prepaid expense for the remainder of this year as of June 30? Therefore, of the total payments of \$606.60 for the six months, how much is actual expense incurred? How does this actual expense compare with the income for the six months?

Is the \$10.30 spent for furniture an investment or an expense? Is the \$50.40 paid for life insurance an investment or an expense? Of the \$606.60 spent, how much was applied in increasing investments and how much was spent for expenses? Of the amount spent for expenses how much is properly chargeable against the first six months of the year for actual expenses incurred? What is the difference between the amount spent for expenses and the actual expenses equal to?

What is the amount of the savings fund on June 30 that was provided for in the budget? How much has been invested so far this year in life insurance? If Mr. Reese has paid five annual premiums on his life insurance policy previous to the premium paid in March of this year, what is the total investment in life insurance to date?

If \$4.40 had not been deposited in the insurance fund in March, April, May, and June, what would be the balance in the Merchants Bank? In addition, if \$5.60 in each of the first three months and \$8.00 in each of the next three months had not been deposited in the savings fund, what would be the balance in this bank? Which is the better plan, to place these amounts each month in the savings bank or to leave them in the checking account? Why?

How much has been saved during the first six months of the year? Have all of the savings for the first six months been deposited in the savings fund? How much has been deposited in this fund? If the family is able to save the amount provided for savings in the budget for the coming six months, how much will be saved in the year? What does the cash balance at any time represent and of what does the balance consist? If during the coming six months the family is able to keep the expenditures equal to the amount of the expenditures for the first six months, and deposits \$8.00 per month in the savings fund, how much will be saved in the year? Will this amount be greater or less than the savings provided for in the budget? Is it likely that the family will be able to keep its expenditures during the coming six months within the amount of the expenditures for the past six months?

On which items have the expenditures exceeded the budget allotments for the six months, and on which items have the allotments exceeded the expenditures? Can you suggest reasons for the unexpended balance of \$16.32 on food. How does the estimate for clothing compare with the expense for clothing for the period?

The fuel, light, and telephone item shows an unexpended balance of nearly \$14.00. Is it likely that this unexpended balance will be absorbed in the next six months? How many tons of coal have been purchased to date? How much coal do you suppose would be needed to heat a seven-room house for a year? What explanation can you give for the expense for laundry and hired help running so high in April? When will the unexpended allowance on education be decreased considerably? Is it probable that the expense for amusement, recreation, and luxuries will be increased during July and August? What object do you think the family had in mind in limiting their expenses for these items during the

first six months to an amount considerably less than the budget allotments for the same period? Does the present allotment for sundry expenses appear to be adequate?

### Exercise 12

This exercise consists of the entries for the receipts and payments of the Reese family for the months of July to December inclusive. The entries are to be made on the same page in the cash book as the entries for April, May, and June. Enter the July figures on the next line below the June entries and footings.

#### *Transactions for July*

The payments for July were as follows:

Food (cash purchases).....	\$24.38
Purchases on Account:	
Clothing.....	5.00
Provisions.....	4.40
Rent, Taxes, and Insurance.....	20.00
Health and Toilet.....	1.20
Payments for purchases on account:	
Provisions purchased in June.....	3.09
Sundry Expenses.....	5.11
Supplies and Utensils.....	1.14
Fuel, Light, and Telephone.....	2.76
Clothing.....	29.60
Amusement, Recreation, and Luxuries.....	3.45
Laundry and Hired Help.....	5.95

Mr. Reese reports that he received his salary check and that he made the usual deposits in the savings and insurance funds.



*Transactions for August*

The payments for August were as follows:

Rent, Taxes, and Insurance.....	\$20.00
Clothing.....	12.23
Supplies and Utensils.....	.83
Sundry Expenses.....	4.27
Health and Toilet.....	.79
Fuel, Light, and Telephone.....	1.93
Amusement, Recreation, and Luxuries.....	42.85
Laundry and Hired Help.....	4.94
Food.....	19.98
Purchases on account:	
Clothing.....	4.75
Provisions.....	8.41

Mr. Reese reports the receipt of his salary check and the usual monthly deposits.

*Transactions for September*

Laundry and Hired Help.....	\$6.80
Education.....	9.45
Fuel, Light, and Telephone.....	60.31
Food (cash purchases).....	19.04
Payments for purchases on account:	
Provisions bought in July.....	4.40
Clothing bought in July.....	5.00
Sundry Expenses.....	5.38
Purchases on account:	
Provisions.....	11.23
Clothing.....	4.86
Rent, Taxes, and Insurance.....	20.00
Health and Toilet.....	.85
Clothing (cash purchases).....	.75
Supplies and Utensils.....	2.95
Amusement, Recreation, and Luxuries.....	3.90
Furniture and equipment.....	5.75

Mr. Reese reports that he received his salary check and made the regular deposits.

It is advisable at regular intervals to prove cash and foot the columns in the cash book in pencil to see that distributions are correct, because errors can more easily be detected when one is familiar with the entries for the transactions of a current period.

Prove cash. Mr. Reese has \$7.72, Mrs. Reese \$2.85, and the balance in the Merchants Bank is \$95.37. Prove the totals of the distribution columns.

### *Transactions for October*

The revised budget of April 1 was prepared and the budget allotments were distributed for the remaining nine months of the year on the assumption that the income during that time would be \$115 per month. However, an unforeseen happening has had an important effect upon the income and finances of the family which renders the budget of April 1 inapplicable for the remaining three months of this year.

Mr. Reese's father died on September 12. His will stipulates that his property, consisting of household goods, stocks, bonds, and cash in the bank is to be divided equally among his four children. The household goods have already been divided. The executors, after consulting with the heirs, decided that it was advisable to convert the stocks and bonds into cash by selling them. They have disposed of the securities and have paid each heir his inheritance from the proceeds of the sale of the stocks and bonds and have divided the cash in the bank, thus winding up the affairs of the estate. Mr. Reese's share of the estate amounts to \$2054.42.

Mr. and Mrs. Reese are anxious to own a home of their own and have decided to invest their inheritance in the property they are renting. Mr. Reese, after negotiating

with the owner of the property, has entered into an agreement with him to buy the house and lot, the purchase price being \$3000. The agreement requires Mr. Reese to pay \$2000 on or before October 5 and to pay \$20.00 per month, the amount formerly paid for rent, until the property is paid for in full, each payment of \$20.00 to be applied on the balance due on the property.

Having applied \$2000 of the inheritance to the purchase of the property, Mr. and Mrs. Reese have decided to use the remainder of the inheritance, \$54.42, in making necessary repairs to the house.

From this time on no rent will be paid. The budget prepared April 1, however, contains an item of \$20.00 per month for rent for the full year and of course does not provide for the allotment or distribution of the sum Mr. Reese received from his father's estate. It is evident, therefore, that this budget is not applicable to the conditions which now exist and that it is necessary to prepare a new budget for the remaining three months of the year.

### *Preparation of New Budget*

Prepare a revised budget for the period from October 1 to December 31, showing the budget allotments under the new arrangement. Prepare it from the figures contained in the revised budget of April 1, proceeding as follows:

1. Take one-fourth of the yearly allotments for food—clothing—fuel, light, and telephone—supplies and utensils—laundry and hired help—health and toilet—education—amusement, recreation, and luxuries—sundry expenses—life insurance—savings fund—and furniture and equipment, which will give the budget allotments for the remaining three months of the year for these items. Write the amounts in the new budget.

2. Since rent is no longer to be paid, this item is omitted from the budget, which leaves one-fourth of the fire insurance allotment of \$2.40, or 60¢, to be entered in the budget for the rent, taxes, and insurance item.

3. As previously stated, the difference between the inheritance of \$2054.42 and the \$2000 payment on the real estate, or \$54.42, is to be applied in making repairs on the dwelling, so include this amount for the three months under the head of "Real Estate Maintenance."

4. The next item in the budget is the \$2000 applied as the first payment on the property and the three monthly payments of \$20.00, making a total of \$2060 to be entered in the budget under the heading of "Real Estate."

If your budget is correct the total should be \$2399.42.

### *Preparation of Comparative Statement*

Since the page of the cash book in which you recorded the transactions from April 1 to September 30 inclusive shows the distribution of the allotments in the old budget of April 1 on the basis of nine months instead of six months, the period covered by the entries for receipts and payments, it is necessary to prepare at this time a comparative statement of budget allotments and expenditures to find the unexpended allowances, the excess of expenditures over allowances, and the net allowances for the next three months, as of September 30. This statement must cover the first nine months of the year, i.e., the time from January 1 to September 30, and is similar to the statement prepared on June 30 for the first six months. Proceed as follows:

1. Rule a sheet of paper with seven columns headed as follows: "Budget Allotments for Period," "Amount Spent This Period," "Unexpended Allowances This Period," "Excess of Expenditures over Allowances This Period," "Budget

Distribution for Next Period," "Excess of Expenditures over Yearly Allotment," and "Net Allowance for Next Period."

2. From the revised budget of April 1 take three-fourths of the yearly allotment for each item in order to find the budget allotment for nine months, and enter these amounts in the first column of the statement, keeping these facts in mind:

(a) The savings fund allotment is composed of \$5.00 a month for the first three months and \$8.00 a month for the remaining six months.

(b) The sundry expenses allotment is composed of \$4.10 a month for the first three months and \$6.10 a month for the remaining six months.

(c) The rent, taxes, and insurance allotment for nine months is \$181.80 ( $9 \times \$20.20$ ) plus the \$2.00 entered in the February cash book as an additional adjusting distribution made at the time the \$25.00 was deposited in the insurance fund.

(d) The life insurance allotment for nine months is composed of \$37.80 ( $9 \times \$4.20$ ) plus the \$14.20 entered in the cash book in February and the \$23.60 entered in the cash book in March as adjusting distributions when the deposits of \$25.00 and \$27.80 were made in February and March.

If your figures for the budget allotments entered in the first column are correct, the amounts for these items will be—Savings Fund \$63.00, Sundry Expenses \$48.90, Rent, Taxes, and Insurance \$183.80, and Life Insurance \$75.60.

3. Find the amount spent for each item by adding the footings of the columns in the cash books for the first nine months, and enter the totals thus found in the "Amount Spent" column in the statement.

4. Extend the unexpended allowances and the excess of expenditures over allowances in the next two columns.

5. Enter the budget allotments for the next three months, as shown by the revised budget you have just prepared, in the fifth column.

6. The payment of \$60.31 in September for fuel, light, and telephone includes the purchase of the winter supply of coal, 10 tons @ \$5.75 per ton. The expenditures for the first nine months therefore exceeded the allotment of \$72.00 by \$27.03, which is entered in the "Excess of Expenditures Over Allowances" column. The budget allotment for the next three months as shown by the fifth column is \$24.00, therefore the allotment for the year of \$96.00 ( $\$72 + \$24$ ) has been exceeded by \$3.03 and there is therefore no net allowance for the remaining three months of the year. In such cases it is necessary to add another column to the comparative statement headed "Excess of Expenditures Over Yearly Allotments." The amount to be entered in this column of the statement is the difference between \$27.03, the excess of expenditures over allowances for this period for fuel, light, and telephone, and \$24.00, the budget allotment for the next three months, or \$3.03.

7. Add the unexpended allowances to the budget allotments, or subtract the excess of expenditures from the allotments and write the amounts of the net allowances for the next three months in the last column as formerly.

8. Prove your statement. The totals should be as follows: \$1059.80, \$955.68, \$143.48, \$39.36, \$2399.42, \$3.03, and \$2506.57. In proving the differences between the totals of the columns, the \$3.03 shown by the "Excess of Expenditures Over Yearly Allotments" column must be deducted from the total of the "Net Allowance for the Next Period" column. The excess of \$3.03 on fuel, light, and telephone must be made up by decreasing the expenditures on the other items included in the budget for the next three months, or if this is not possible, by taking the amount out of the savings fund.

By subtracting the difference between the totals of the sixth and seventh columns from the total of the fifth column the last three columns are proven with the first and second and the third and fourth columns, the differences being \$104.12.

### *Closing the Cash Book*

Since the page of the cash book at the end of September 30 shows the receipts and payments for six months, from April 1 to September 30, and the budget allotments for nine months, from April 1 to December 31, which allotments are superseded by the allotments in the revised budget just prepared, it is necessary to close the cash book on September 30 and on the next page show the budget distribution of the items included in the new budget and the entries for the next three months. In order to close the cash book, enter the totals in ink in the spaces provided for them at the bottom of the page, enter the cash balance underneath the payments, and write the footings to show the proof in the receipts and payments columns.

### *Opening New Cash Book*

From the comparative statement of budget allotments and expenditures for the nine months ending September 30, enter the budget allotments for the next three months on the next page of the cash book, the unexpended allowances and the excess of expenditures over allowances, and the net allowances for the next three months. Enter the budget allotment of \$24 and the excess of expenditures over allowance of \$27.03 in the proper spaces in the fuel, light, and telephone column, but do not enter any amount in the net allowance for this period space. When this has been done you are ready to proceed with the transactions for October, November, and December.

*Transactions for October*

The payments for the month were as follows:

Received inheritance money.....	\$2054.42
Purchases on account:	
Real Estate.....	3000.00
Food.....	3.08
Household Equipment.....	2.15
Clothing.....	3.00
Fuel, Light, and Telephone.....	2.89
Health and Toilet.....	2.00
Food (cash purchases).....	24.23
Laundry and Hired Help.....	5.60
Supplies and Utensils.....	1.73
Education.....	2.81
Sundry Expenses.....	5.69
Payments for purchases on account:	
Clothing bought in Aug. and Sept.....	9.61
Real Estate (first payment).....	2000.00
Real Estate (monthly payment).....	20.00
Provisions bought in Aug. and Sept.....	19.64
Amusement, Recreation, and Luxuries.....	3.78
Clothing (cash purchases).....	22.29

Only a part of the purchase price of the real estate having been paid, the above transactions include an item of \$3000 for real estate under "Purchases on account." This \$3000 must be included in the amount entered in the "Charges" column. The first payment of \$2000 and the first monthly installment of \$20.00 are also included under "Payments for purchases on account," so the total of the two items, \$2020, must be included in the amount entered in the "Charges Paid" column. Hereafter the \$20.00 paid each month must also be included with the other amounts entered in this column.

The total payments of \$2020 made on the property this month must be entered in the real estate column under



"Property and Investments," and hereafter as the \$20.00 is paid each month the amount must also be entered in that column in order to show at any time the amount paid on the property. This amount is the investment in the property. The rent, taxes, and insurance column will hereafter show the cost of taxes and insurance only.

Mr. Reese reports that he received his salary check and made the usual deposits.

### *Transactions for November*

The payments for the month were as follows:

Health and Toilet.....	\$1.85
Education.....	.70
Payments for purchases on account:	
Food bought in October.....	3.08
Household Equipment bought in October.....	2.15
Clothing bought in October.....	3.00
Real Estate (monthly payment).....	20.00
Clothing (cash purchases).....	17.42
Sundry Expenses.....	5.13
Fuel, Light, and Telephone.....	2.97
Food (cash purchases).....	34.07
Laundry and Hired Help.....	5.32
Purchases on account:	
Food.....	18.43
Clothing.....	8.76
Supplies and Utensils.....	2.12
Amusement, Recreation, and Luxuries.....	2.93
Real Estate Maintenance.....	4.50

The item charged to "Real Estate Maintenance" is for repairs on the shutters and floors of the home. Repairs of this kind must be made on all buildings to keep them in good condition, and such repairs should be classified as real estate maintenance, which is a current expense. Therefore enter

in the real estate maintenance column the amount paid for repairs this month.

Mr. Reese received his salary check and made the regular deposits.

*Transactions for December*

Fuel, Light, and Telephone.....	\$3.02
Real Estate Maintenance.....	3.75
Payments for purchases on account:	
Food bought in November.....	18.43
Clothing bought in November.....	8.76
Real Estate (monthly payment).....	20.00
Supplies and Utensils.....	1.80
Health and Toilet.....	3.96
Food (cash purchases).....	23.70
Laundry and Hired Help.....	5.48
Clothing (cash purchases).....	2.73
Sundry Expenses.....	26.82
Education.....	1.20
Amusement, Recreation, and Luxuries.....	3.57

The \$3.75 spent for real estate maintenance was for repairs and replacements on rainspouts and drains.

When the budget was prepared Mr. and Mrs. Reese overlooked the expense that would be incurred in December for Christmas presents, which is chargeable to sundry expenses. It will be necessary for them to increase the budget allotment for this item next year because the purchase of the Christmas presents this year will run the payments considerably over the budget allotment for sundry expenses.

Mr. Reese received his salary check and made the regular deposits.

Foot the cash book and write the totals in the proper spaces at the bottom of the page; then prove cash. Mr. Reese has \$2.85, Mrs. Reese \$1.41, and the balance in the Merchants Bank is \$115.17. If your cash proves, then prove the distributions and balance the receipts and payments columns as usual.

Mr. and Mrs. Reese desire to know how their expenditures for the year compare with the budget allotments. Prepare a comparative statement of budget allotments and expenditures for the period from January 1 to December 31 similar to previous comparative statements, with the exception that it will have but four columns showing the net allowances for the year, the amounts spent, the unexpended allowances, and the excess of expenditures over allowances. Proceed as follows:

1. Rule a sheet of paper for the statement with four columns to be headed as above.

2. From the revised budget of April 1 enter the budget allotments in the "Net Allowances for This Period" column, keeping these facts in mind.

- (a) The savings fund allotment consists of \$5.00 per month for the first three months and \$8.00 per month for the last nine months.

- (b) The sundry expenses allotment consists of \$4.10 per month for the first three months and \$6.10 a month for the last nine months.

- (c) The allotment for rent, taxes, and insurance includes \$180 for rent for nine months, the allotment of \$2.40 for fire insurance provided by the budget, and the adjusting distribution of \$2.00, making a total of \$184.40 for the year for this item.

- (d) The allotment for life insurance consists of the allotment of \$50.40 provided by the budget and the additional distributions of \$14.20 and \$23.60, making a total allotment for the year of \$88.20.

- (e) The real estate allotment consists of \$2060 included in the revised budget of October 1.

- (f) The real estate maintenance allotment consists of \$54.42 included in the revised budget of October 1.

3. From the cash books find the totals spent for each item

for the year and enter the amounts in the "Amount Spent" column. This statement will include \$8.25 for real estate maintenance which is the total of the "Real Estate Maintenance" column December 31, and also \$2060 paid on the real estate purchase which is the total of the "Real Estate" column December 31.

4. Enter the unexpended allowances and the excess of expenditures over allowances in the third and fourth columns.

5. Prove your statement. If it is correct the totals of the four columns are as follows: \$3459.22, \$3304.41, \$188.95, and \$34.14. The differences between the totals should be \$154.81.

#### ANALYSIS OF RECEIPTS AND PAYMENTS

##### *Lesson in Thrift*

What were the total receipts from January 1 to December 31 including the balance of January 1? (Found by adding the receipts shown by the cash books for the several periods to the balance of January 1.) What were the receipts excluding this balance? What was the income for this year? How much was earned income and how much was unearned income?

What were the total payments for the year? How much was paid for current expenses? For real estate? For furniture and equipment? For life insurance? In what respects do the amounts paid for real estate, furniture and equipment, and life insurance differ from the payments for current expenses? Are the amounts paid for real estate, furniture and equipment, and life insurance expenses or investments?

How much did the income for the year exceed the expenditures for the same time? What is the difference between these two amounts equal to? On which items have the

expenditures exceeded the budget allotments for the year, and on which have the allotments exceeded the expenditures? Why do the fuel, light, and telephone, and sundry expenses payments exceed the budget allotments?

What is the difference between the unexpended allowances and the excess of expenditures over allowances? How much of the unexpended allowances has been accumulated to pay the fire and life insurance premiums for next year? Therefore, of the unexpended allowances this year, how much must be carried over to next year to meet these payments? Why is it that the \$39.80 accumulated for fire and life insurance must be carried over to next year? In the cash book for January how much must be entered in the unexpended allowances spaces in the rent, taxes, and insurance and life insurance columns? Would it be possible to carry over to next year all of the unexpended allowances and excess of expenditures over allowances? Would it be advisable to do so?

After deducting the amount to be carried over to next year for fire and life insurance from the difference between the unexpended allowances and the excess expenditures, how much remains as the actual saving for this year? If the actual saving is added to the cash balance of January 1, what does the sum represent? If the cash balance at the beginning of the year is subtracted from the balance at the end of the year, what is the difference equal to? Of the actual saving how much has already been deposited in the savings fund; how much in the insurance fund? How much has not been deposited in these two funds? Do you think this amount should be deposited in the savings fund, and if it is deposited what entries are required in opening the cash book for January?

Do you think Mr. and Mrs. Reese were wise in buying the home? What is the difference between paying \$20.00

a month for rent and paying \$20.00 a month toward the purchase price of the home? Will the family incur any additional expenses because of its purchase? If so, what will these additional expenses consist of? Will such expenses likely amount to as much during the year as the rental for the same time? How much has been paid on the purchase price of the home and how much does Mr. Reese still owe on it?

Do you think good judgment has been used in regulating the expenditure of the income of this family? Do you think that the family has benefited by keeping a record of receipts and payments? To what extent do you think Mr. and Mrs. Reese have been successful in making every dollar spent purchase a dollar's worth of value? Can you point out any useless or unnecessary expenses during the year? Do you see any possibility of greater economy? Do you think any greater economy would have been advisable?

### Exercise 13

#### *Statement of Net Worth*

The financial condition of a person is found by taking the difference between his resources and his liabilities. A resource is anything of value belonging to a person and may consist of such things as cash, property, or debts which other persons owe him. A liability is a debt owing by a person. The difference between one's resources and liabilities is his net worth. Prepare a statement of net worth for James S. Reese and Family, proceeding as follows:

1. On a sheet of paper with two money columns at the right, write the heading, "Statement of Net Worth December 31, James S. Reese and Family." On the second line below the heading in the center write the word "Resources."

2. Mr. Reese's cash balance on December 31 is \$250.43. On the next line underneath "Resources" write "Cash" and the amount in the first column.

3. The purchase price of the home is \$3000. Mr. Reese believes that the property is worth this amount, so on the next line write "Real Estate" and enter the amount in the first column underneath the entry for cash.

4. Mr. and Mrs. Reese have taken an inventory of their furniture and equipment. Finding the value of such property which has been used for some time is a more or less difficult matter, because the value placed on each article or piece of furniture must be based upon the judgment of the person who takes the inventory and his knowledge of such values. Mr. and Mrs. Reese estimate that their furniture would bring about \$650 if they were to sell it, so enter this item on the next line.

5. The premium of \$50.40 which Mr. Reese paid this year is the sixth premium he has paid on his life insurance policy. He therefore has a total investment of \$302.40 in life insurance at this time. Enter the item on the next line.

6. Mr. and Mrs. Reese value their jewelry at \$225, so enter this item on the next line.

7. Find the total of the above resources, draw a line underneath the last entry, and write the total on the next line in the second column, designating the amount as "Total Resources."

8. Then in the center on the second line below "Total Resources" write "Liabilities."

9. Mr. Reese has paid \$2060 on the purchase price of the property, leaving a balance of \$940 which he still owes on it. This amount is owing to J. W. Benson, from whom the property was purchased. On the line below "Liabilities" write "Owing J. W. Benson on Real Estate," and the

amount \$940 in the second column underneath the total of the resources.

10. Deduct the amount of the liabilities from the total resources and write the difference in the second column on the line below the last entry designating the amount as "Net Worth."

When your statement is completed it should appear like the following illustration:

*Statement of net worth December 31, 19 .*

**[James S. Reese and Family**

*Resources*

Cash.....	\$250.43
Real Estate.....	3,000.00
Furniture and Equipment.....	650.00
Life Insurance Investment.....	302.40
Jewelry.....	225.00
Total Resources.....	4,427.83

*Liabilities*

Owing J. W. Benson on Real Estate.....	940.00
Net Resources.....	\$3,487.83

While some things, such as unconsumed food, clothing, supplies and utensils, toilet articles, etc., which are purchased and charged as current expenses, have value while they remain in service or use, they have very little value if put up for sale. In any event this value is very much less than the price paid for them. In the next place, such things are only purchased for the personal use of individuals or for the use of a particular family and are seldom disposed of. For these reasons they should be considered purely as expense items and should not be included in a statement of net worth.

Such things as jewelry, diamonds, heirlooms, and antiques,



which have an intrinsic value in themselves because of the precious metals or gems they contain or consist of, or because of their age, which make them as valuable to the purchaser as to the owner, should be included with the resources in preparing a statement of net worth.

This completes the records of the family for the year. The first step in preparing to record the receipts and payments for the coming year is to prepare a new budget.

### *Preparation of New Budget*

Mr. Reese has been offered a position with another concern at a salary of \$1500 a year or \$125 a month, which he has accepted. He will begin work in the new position on January 2.

Mr. and Mrs. Reese have carefully studied the comparative statement of budget allotments and expenditures for the past year and have planned their expenditures for the coming year as follows. Prepare the new budget required.

1. On account of the rising price of food stuffs they have allotted \$32.50 a month or \$390 for the year for food.

2. The clothing allotment of \$18.00 a month or \$216 for last year remains the same for the coming year.

3. Mr. Reese estimates that his property will be appraised for taxation at a value of about \$2500. Since the tax rate is 4 mills, \$10.00 for the year or 83¢ a month has been allotted for taxes. The premium on the fire insurance policy on the furniture and equipment of \$2.40 a year or 20¢ a month is included. Mr. Reese has arranged to place \$2000 worth of fire insurance on the home, the premium being at the rate of \$7.20 a year or 60¢ a month. These items make a total allotment of \$1.63 a month or \$19.60 a year for taxes and insurance.

4. The fuel and light allotments are the same as for last

year, and in addition it has been decided to install a telephone at a cost of \$2.00 a month or \$24.00 for the year, making an allotment of \$10.00 a month or \$120 for the year for fuel, light, and telephone.

5. The allotment for supplies and utensils has been reduced from \$1.67 a month to \$1.50 a month, or an allotment of \$18.00 for the year.

6. The allotments for laundry and hired help and health and toilet are the same as for last year.

7. The allotment for education has been reduced from \$1.67 a month to \$1.50 a month, or an allotment of \$18.00 for the year.

8. The allotment for amusement, recreation, and luxuries is \$7.00 a month or \$84.00 for the year.

9. It has been estimated that \$5.00 a month will be required for real estate maintenance, so the yearly allotment for this item is \$60.00.

10. \$7.25 a month or \$87.00 for the year has been allotted for sundry expenses.

11. \$20.00 has been allotted as the monthly installment to be paid on the real estate, making a yearly allotment of \$240.

12. The allotment for furniture and equipment has been reduced to \$2.00 a month, or \$24.00 for the year.

13. The allotment for life insurance remains the same.

14. The savings allotment this year is \$6.00 a month or \$72.00 for the year.

### *Opening the Cash Book*

On the next page of the cash book bring forward the cash balance and the balance of the savings and insurance funds under date of January 1. Then enter the budget allotments for the month of January from the new budget you have just

prepared, on the assumption that the receipts and payments for the coming year will be recorded daily. Then bring forward the unexpended allowances of \$2.00 for fire insurance and \$37.80 for life insurance. No other unexpended allowances or excess of expenditures over allowances are to be brought forward. With the exception of the unexpended allowances on fire and life insurance you have just brought forward, the expenditures for the coming year will be paid out of the income for that year, and the amount saved out of last year's income that is not already on deposit will be deposited in the savings fund. Then enter the net allowances for this period.

You have now kept the records of a family for a year and opened the cash book for the next year, which completes the work of this course.







THIS BOOK IS DUE ON THE LAST DATE  
STAMPED BELOW

AN INITIAL FINE OF 25 CENTS  
WILL BE ASSESSED FOR FAILURE TO RETURN  
THIS BOOK ON THE DATE DUE. THE PENALTY  
WILL INCREASE TO 50 CENTS ON THE FOURTH  
DAY AND TO \$1.00 ON THE SEVENTH DAY  
OVERDUE.

MAR 3 1933

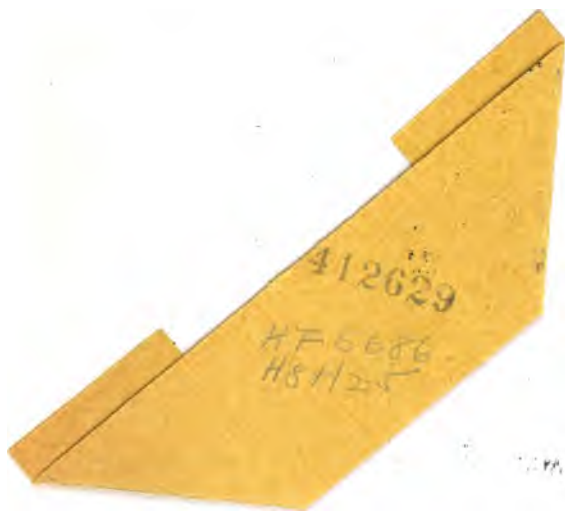
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